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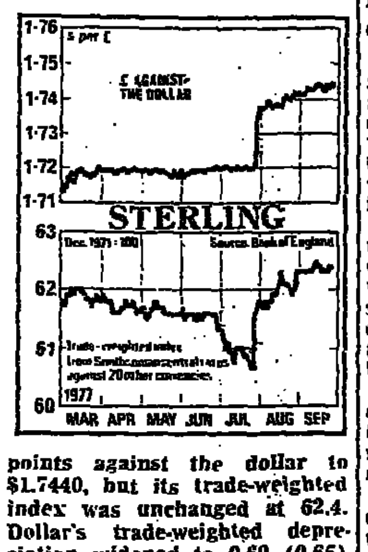
NEWS SUMMARY

BUSINESS

Sterling stronger; gold up $2¼

● STERLING was very firm in the foreign exchange market and the authorities took in more foreign currency for the reserves. The pound gained 10 points against the dollar to $1.7440, but its trade-weighted index was unchanged at 62.4. Dollar's trade-weighted depreciation widened to 0.69 (0.65) per cent.



● GOLD rose $2.25 to $153.125, the highest level since March 25.

● GILTS rose strongly, the FT Government Securities Index gaining 2.04 to 78.63.

● EQUITIES also made big gains, with the FT 30-Share index up 16.6 at 521.3.

● WALL STREET rose 2.51 to 841.65.

● FEDERAL MEDIATORS in the U.S. are intervening to try to avert a strike by East Coast dockers. Page 6

● SAUDI ARABIAN Cable Company of Jeddah has joined U.K. and U.S. interests in a consortium to take over a Welsh tube-making business. This is thought to be the first Arab industrial investment in Wales. Page 10

U.K. contracts threatened

● HONG KONG has apparently warned Britain that U.K. industry risks losing big contracts as a result of anger in the colony over a possible cut in EEC textile import quotas. Back Page

● ARGYLL FIELD, whose reserves have been dwindling, has been given a new lease of life—an exploration well has found more oil. Page 8

● TAX CHANGES are among the options being considered by the Government to encourage energy saving, said Mr. Anthony Wedgwood Benn, Energy Secretary. Page 10

● HOOVER has settled its long-running tax dispute with the Inland Revenue. Discussions had centred on whether prices of goods sold to overseas associates were artificially low. Page 31

● TRAFALGAR HOUSE has agreed to sell its London International Hotel to the Grand Metropolitan group.

● WEST GERMAN Government has offered financial aid to the troubled Dutch-German VFW-Fokker aircraft group and called on it to speed up rationalisation talks with Messerschmitt-Boelkow-Blohm. Page 32

COMPANIES

● PERCY BILTON, which reported higher first-half pre-tax profit of £2.96m. (£2.68m.), is making write-offs of £1.25m. in its housing division. Page 28

● ADWEST plans a one-for-six rights issue to raise £2.5m. Pre-tax profit was £5.61m. (£4.22m.) in the year to June 30. Page 28

● JOHN LAING made first-half pre-tax profit of £8.71m. (£8.15m.). Page 29 and Lex

● FISONS pre-tax profit slipped to £8.5m. (£10.32m.) in the first half. Page 29 and Lex

PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:

9½pc 1981 £103½	+	1⅛	
5½pc 1998 £130½	+	1½	
3½pc	[illegible]		
Lloyds Bank	265	+	15
London Scottish Fin.	36	+	5
Lucas Inds.	315	+	9
Marks & Spencer	162	+	9
Martin (A.)	72	+	5
Midland Bank	335	+	15
Norton (W. E.)	27	+	6
Racal Electronics	250	+	10
Saatchi Compton	93	+	8
Tube Invs.	404	+	14
Woolworth (F. W.)	59½	+	4½
BP	930	+	14
Tricentrol	198	+	8
Sirmah Valley	65	+	5
Charter Cons.	141	+	7
Cons. Gold Fields	202	+	10
Grootvlei	107	+	11
RTZ	209	+	9

FALLS:

Crossley Building	46	−	4
Tate & Lyle	198	−	6
Pacific Copper Mines	146	−	14

U.K. officials meeting IMF on reflation plans

World growth lag must be set right says Witteveen

BY JUREK MARTIN, WASHINGTON, Sept. 26

Dr. Johannes Witteveen, managing director of the International Monetary *Fund, to-day urged* that the lag in the growth of demand in the world economy should be "decisively corrected."

In his opening speech to the annual meetings of the IMF and the World Bank here this morning, Dr. Witteveen stressed that there were "no easy solutions" to the problems posed by slow growth and inadequate investment.

But among the remedies that might be applied, depending on differing national conditions, were incomes policies, fiscal stimulus designed to improve consumer demand, and measures *to promote investment and a* better return on capital.

At the weekend, *the managing* director gave his informal *blessing* for the British Government to introduce stimulatory measures *later this year.*

British officials were due to confer with the IMF staff later to-day on the broad parameters of the planned reflation, but it was *repeatedly stressed* that no firm or detailed policy decisions *would be reached here and that* the discussions would be very *general in nature.*

Dr. Witteven argued that it remained the "international responsibility" of countries with strong economies and favourable payments positions to maintain an adequate growth of domestic demand.

But, picking up the common theme *that has emerged here* over the past two days, he went on to say that "as the process of international adjustment evolves, we may expect an increasing number of countries — both developed and developing — to bring their inflation and balance of payments problems under control, and thus be strong enough to contribute to the growth of the world economy."

Dr. Witteveen did not, as had *at one stage been thought likely,* take West Germany and Japan *severely to task for having failed to fulfil their international role* so far this year.

He *described* as "unexpected" both the sudden cessation of German growth in the second quarter of the year, and the fact that Japanese expansion, riding on the back of exports and higher Government spending, had not produced *increases in either* domestic demand or in the *volume of imports.*

He welcomed the recent stimulatory measures introduced by both Governments, and contented himself with the rather mild observation that "I trust they will be prepared to take further measures of stimulus in the event that the performance of their domestic economies does not improve substantially."

Dr. Witteveen emphasised "the importance to the rest of the world that *expansion of the U.S* economy be maintained at a *satisfactory* rate."

Some concern has been expressed at the margins of the present meeting about the recent slowdown in U.S. growth — and the assertions of Mr. Michael Blumenthal, Treasury Secretary, that because of its payments deficit, the U.S. cannot be expected to *do more in an expan*sionary direction, have not set *these concerns* to rest.

Dr. Witteveen eschewed specific criticism of U.S. economic management, but did find it necessary to inject a gentle warning that the U.S. should not err too much on the side of caution.

"Developments on the external side *do not* indicate a need for U.S. fiscal and monetary restraint beyond that required on domestic grounds for the purpose of reducing inflation.

"I base this view, among other things, on the fact that the deficit of the U.S. on current account is accompanied by large *inflows of capital.*"

Conference report Page 6
Editorial comment Page 14

U.S. trade gap

THE U.S. trade deficit last month at $2.67bn. was the *second highest on record* bringing the total deficit for the first eight months of 1977 to $17.58bn. compared with $2.29bn. in the same period of 1976.

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Healey confirms tax cuts likely

BY ANTHONY HARRIS

MR. DENIS HEALEY, Chancellor of the Exchequer, confirmed yesterday that he is contemplating further tax cuts or other measures to stimulate economic activity later this year.

He told a BBC interviewer that the return of international confidence made it possible to contemplate action that would not otherwise have been possible.

While he refused to drop any hint of the size or nature of a possible package, he said: "I left for Washington with money in my pocket, and I'm turning it over to see how much I can let you have."

Present indications are that any package will be relatively modest in scope. Mr. Healey has *talked in Washington in terms of* a set of measures which would be *possible* within *the constraints* agreed with the IMF last year in the *Letter of Intent.*

While the growth of domestic credit is likely to be far below the level then agreed, thanks partly to the better than expected current balance, there can only be limited scope for tax cuts or higher spending within the £8.7bn. agreed as a top limit for the public sector borrowing requirement.

In July the Chancellor estimated that the borrowing *requirement, after the Budget* and the July measures, would be *£8.5bn.*

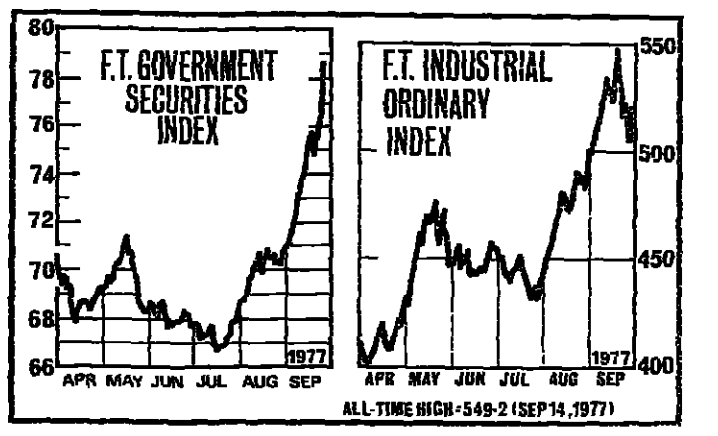
Since that time a further sharp fall in interest rates, much more rapid than cautious official forecasts, has further reduced the cost of debt service, and there has been further evidence suggesting that revenue is running above forecast levels and expenditure lower than intended.

While it is very difficult to *judge the PSBR less than half* way through the financial year, the evidence *should* be much stronger in about two months, when it will be possible to judge how far the sharp autumn rise in borrowing which was marked in each of the last two years is being repeated.

Strong external confidence also makes it possible to relax a precautionary element built into existing forecasts. Thus a *reassessment of public sector* finances will be an important *element in deciding the package,* along with an up to date economic forecast and wage assessment.

The Chancellor has made clear in Washington his personal preference for a further cut in direct taxes as an element in any package, though he warned

Continued on Back Page
CBI warning Page 8



Gilts soar in strong buying

BY MICHAEL BLANDEN

STRONG OVERSEAS and domestic buying of gilt-edged *stock yesterday brought un*precedented price rises in the *market with gains at one stage* reaching to just over 4½ points.

The rises were thought to be the largest ever recorded in a single day.

The surge of demand spilled over into the equity market. The Financial Times ordinary share index jumped by 16.6 points to 521.3, making up more than half of last week's 27.2 loss.

The City's enthusiasm was fuelled by week-end reports from the International *Monetary Fund meeting* in Washington, which confirmed expectations that Mr. Denis Healey, the Chancellor, would *be able to introduce a refla*tionary economic package *shortly.*

Buying was concentrated particularly on long-dated gilt-edged stocks. Yields on these have remained high in spite of the recent sharp drop in the level of interest rates at the short end of the market, with the cut in the Bank of England's minimum lending rate to 6 per cent.

The absence of any announcement of a new long *tap stock by the authorities* at the usual time on Friday was also regarded as *giving official* approval to a downward adjustment in rates at the long end of the market.

As a result, the gains at the end of last week were quickly *followed up yesterday,* with the biggest rises on record in a *single day. Towards the end,* the market was still showing *gains of up to 4¾, though in* very late trading, prices *slipped back on profit taking* to levels about 3¼ up on Friday.

Short-dated stocks also showed rises of over 1¼. The FT Government Securities index *rose* 2.04 to 78.63, a proportionate improvement of 2.7 *per cent, which has been* bettered only during the run-up *from the all-time low early in* 1975.

Dealers again reported strong interest from abroad, with the strength of the pound adding to the attractions of high yields.

With the Bank of England again intervening to hold the pound down, the trade-weighted index of its value remained unchanged at 62.4. Sterling gained 10 points against a weak dollar at $1.7440.

£ in New York

—	September 26	Previous
Spot	$1.7437-7440	$1.7432-7455
1 month	0.12-0.17 prem	0.05-0.10 prem
3 months	0.15-0.15 prem	0.07-0.12 prem
12 months	0.10 dis-Par	0.20-0.10 dis

Road hauliers disregard 10% wage guideline

BY NICK GARNETT, LABOUR STAFF

ONE OF the country's *largest* groups of road hauliers has decided to run the risk of Government sanctions by pressing ahead with a pay deal for lorry drivers which breaks the single-figure wage guideline.

The settlement, which will involve increases of about 15 per cent. in average earnings, is being negotiated by the West Midlands area of the Road Haulage Association. It will affect about 10,000 drivers.

The West Midlands set the pattern for wages across the country *in the years before* the advent of a pay policy so the settlement could become the norm for Britain's 1m. lorry drivers.

The settlement will also have repercussions among drivers in the *nationalised sector of the* road transport industry, who are *on similar basic rates* to other lorry drivers. For that reason *it poses a specific problem for* the Government.

Mr. Bob Ward, secretary of the RHA's West Midlands area, said the association had taken the possibility of sanctions into account, but its main concern was keeping lorries on the road.

Lorry drivers had taken industrial action against two container companies which had withdrawn *15 per cent. pay rise offers after* Government warnings. There was a strong possibility of more widescale strike action if hauliers stuck to the earnings guideline.

Apart from that the association was resentful that, like *other employers'* organisations, it was being used as an arm of *Government.*

The settlement, due to be *signed in the next week once* a problem on night *subsistence* payments is overcome, *is likely* to be the first major agreement for lorry drivers this year and will run from the end of November.

Overtime

The agreement involves a 15 per cent. increase on basic pay, with a flat £10 weekly lump sum *made up of the £6 and £2.50* supplements paid under Phase One and Two, and a further £1.50.

Phases One and Two are therefore not consolidated either *for the percentage pay rise or* overtime, which means the effect on earnings *will be reduced by* the proportion of overtime earnings.

The association said a man working 40 hours should get a rise of almost 15.5 per cent. and a driver working the maximum 60 hours just under 13.5 per cent. Some companies, however are believed to have paid a £4 Phase Two supplement instead of £2.50 so percentage rises for their drivers could be smaller.

The deal, which follows a 20 per cent. claim on the weekly basic of £36-£40 will involve a *large number of improved fringe* benefits including a higher *subsistence allowance for long* distance drivers.

The association said yesterday the sanctions the Government *could impose* include refusing to offer haulage contracts, industrial development certificates and temporary employment subsidies. The association believes, however, that sanctions would only have a minimal affect on hauliers' operations.

The United Road Transport *Union, the other lorry drivers* union, has been preparing larger *claims which the association said* the RHA, would involve 22 per *cent. rises* and a 35-hour week.

● Tate and Lyle, which has been threatened with Government sanctions if it makes a settlement outside the earnings guideline, said yesterday no decisions had been taken on the claim.

Howe attacks State interference Back page

Bayer makes $215m. offer for U.S. pharmaceutical group

BY JOHN WYLES

NEW YORK, Sept. 26.

BAYER AG, of West Germany, *the fourth largest chemical com*pany in the world, to-day *launched a $215m. tender offer* for Miles Laboratories, a *medium-sized Indiana-based phar*maceutical company with sales *approaching $500m. a year.*

The Bayer offer marks the next stage of a multi-million dollars programme to make the West German company a major force in the U.S. chemicals and related products market.

The Board of Miles Laboratories will decide its attitude at a *meeting to-morrow,* having been taken by surprise at Bayer's offer *of $40 a share for the company's* 5.3m. outstanding shares.

*A spokesman for Miles con*firmed that the company had been having discussions with Bayer but "this is the first time we have had knowledge of a *specific price.*"

Trading in Miles' shares was *suspended on* the New York Stock Exchange at 11.27 a.m. at $29⅞, having gained ⅞ *since the* opening of the session. The stock had gained nearly four points during Friday's trading, when Miles announced that it was *having talks with an unnamed* company and was itself considering an acquisition.

Bayer's announcement said *this morning that if its offer was* accepted by the Miles' Board Bayer would maintain the company's independence along with its trading name and would make the Miles headquarters at Elkhart, the principal headquarters of all Bayer's pharmaceutical operations in the U.S.

Bayer's existing pharmaceutical subsidiary in the U.S. is Cutter Laboratories, which was a loss-maker when acquired in 1974, but has since turned in pre-tax profits of $6m. for 1976, on *sales of $163m.*

On the surface, there appears *to be an eminent compatability* between Cutter's drug and hospital supply *business and* Miles' range of products which includes Alka Seltzer, One-a-Day and Bactine. Miles has manufacturing plants in 21 countries, including the U.K., France, Spain, and Italy and produces a range *of hospital laboratory* goods *and* histology systems.

In 1976, Miles returned a net profit of $16.2m. on sales of $449.7m. Analysts have recently rated it a *good medium-term* investment provided management *can achieve its goal of* raising return on investment.

It has been pointed out that its sales of Alka Seltzer, worth $50m. a year, may be threatened by a Food and Drug Administration advisory committee recommendation that products containing aspirin should carry warnings about possible dangers to people with "stomach distress, ulcer or bleeding problems." Alka Seltzer is *promoted both for the treatment of* headaches and upset stomachs *and is a combination of aspirin* and antacid.

Nevertheless, Miles is a significant target for Bayer whose executives have made no secret *of a plan to spend $500m. during* the next five years building up *the company's U.S. chemicals* and pharmaceuticals business which is worth $1.1bn. in sales each year.

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For latest Share Index 'phone 01-246 8026

LOMBARD

Why the banks like Comecon

BY DAVID LASCELLES

THE STRIKING point about the debate over Comecon's mounting debts is that it has had little or no effect on the willingness of western banks to go on lending. This summer we have seen a steady stream of Euroloans, including one for half a billion dollars for the Comecon Investment Bank. Even Poland, usually cited as deepest in the red, is putting together a further $350m. loan at this very moment.

And these are just the loans we hear about. Private bank deals must be at least as high, if not much higher. Altogether, several billion dollars will pass from the West to the East this year.

And all this at a time when reports are coming thick and fast about the meagreness of Comecon's hard currency earning prospects. Only a fortnight ago, the U.S. Congress' periodic review of the Soviet bloc found it hard to pinpoint a single area where Comecon had either the goods or the marketing capability to achieve a major growth in exports to the West.

Makes sense

If none of this makes sense, it must be that the banks take a very different view of Comecon's prospects from everyone else who studies the subject.

For a start the banks are less interested in the grand panorama of East-West relations than in generating business. And it cannot be denied that, at the moment, Comecon is one of the few parts of the world that is producing regular demand for finance and credit.

In fact the intensity of the competition for Comecon business is such that East European borrowers have been able to command extremely good terms and make the most of declining interest rates, despite their worsening debt position.

It is another ironic fact of commercial life that there are few governments that capitalist banks like more than strict one-party systems. At a time of political uncertainty elsewhere in the world, East Europe just goes on and on. The last major leadership crisis was seven years ago—enough, a banker would say, to cover the life of an average Euroloan. That was Poland. Mr. Brezhnev has been in power 13 years, Mr. Kadar 21.

This stability extends into the economic field. Although Comecon has been touched by the world recession, its average growth rates continue to be around 5 per cent. a year. This impression of steadiness is reinforced by the Five Year Plans which stand a better chance of being fulfilled than similar plans elsewhere, particularly in the Third World. These plans, though sketchy, give a good idea of where a country is going, what it is going to import and what it hopes to export to pay for it. In Hungary's case, the Plan even contains a year-by-year prediction of what it expects to borrow from the West.

And a further reason why banks, particularly the experienced ones, go on lending is that despite the secrecy that surrounds much of Comecon's affairs, more and more information is coming out. The current Polish loan is strictly tied to development of a copper mine whose prospects have been well documented. A recent Hungarian Euro loan of $200m. was backed by documentation from the National Bank showing the country's balance of payments over the last five years and details of its debt repayments schedule up to the early 1980s. This was not the first time Hungary made disclosures of this kind, but the practice is setting a useful precedent.

But what do the banks make of all those reports? Most claim to have special information which makes them confident that they will get their money back. In many cases this is true. Loans tied to specific export-oriented projects obviously represent a good risk. But in others one wonders just how much of it is wishful thinking. Bankers also lay great store by East Europe's so far unblemished repayment record. They further share the belief that Russian gold ultimately guarantees every loan. The corollary of this is that an individual East European country will only go bust if Moscow wants it to or can't stop it. In either case, banks would have more than their exposure to worry about.

New ways

In fact the picture that emerges of western bankers' attitudes towards Comecon is quite the opposite to what the general public is led to believe. Far from losing sleep over their exposure in East Europe, they are constantly seeking new ways and justifications to lend money. Were Poland to reveal its balance of payments to-morrow, this would be reason enough to lend Bank Handlowy Warszawe another $250m. And why should the Soviet Union not be lent at least as much as a country like Brazil? Unless someone steps in to stop the bankers lending to East Europe, there seems to be little reason for them to stop.

FILM AND VIDEO — BY JOHN CHITTOCK

And nothing but the truth

THE PERENNIAL problem of veracity was raised last week by my colleague Chris Dunkley, writing about television and expressing concern about the faking of shots in films presented to viewers as actuality.

This problem is almost as old as the cinema itself. One film archivist complained about the practice in Gaumont newsreels of the early 1900s—which included fake shots of the signing of the peace at Vereeniging in 1902, the assassination of King Alexander and Queen Draga of Serbia in 1903 (all accomplished with actors) and a 1901 clip of an attack on a China mission, actually shot in the film-maker's own garden.

The practice continues in sponsored films, though usually in innocuous circumstances and with no sinister intent. Expedience, not deception is the motivation, although undoubtedly there are times in film when products are made to perform better than they really do and where places are presented as infinitely more attractive than they really are. I will never forget a North East Development Council film in which the sun always shines on that region.

I was therefore drawn, with many of my colleagues to a preview two weeks ago held by the Asbestos Information Committee of a film called *Building Safely with Asbestos*. Of course, we were all there ready to catch them out with cinematic deceptions of half truths. And we failed. The film seemed a model of restraint and responsibility, and none of those awkward questions were asked which journalists are quick to raise if a hint of scandal is evident.

In the sponsored documentary film, there is no professionally agreed code of practice. Companies and producers can be as dishonest as they like and nobody is likely to complain, if they ever take notice in the first place. Nonetheless, in 15 years of reviewing such films, I remain unaware of any serious case of wilful deception, although by careful editing a few have sailed close to the wind.

Manipulation occurs regularly, mainly to simplify the task of the film-maker in recording a fair representation of the truth as effectively and cheaply as possible. In an accident prevention film, for example, it would be impracticable—and downright ghoulish—to wait around with cameras until an unfortunate factory hand loses his fingers in a machine. By skilful camerawork and editing, the job can be done with make-up blood, dramatic camerawork, skilful editing before the critical moment, and above all by adding a sickening sound of crunching bones at the right point in the sequence. The real thing would probably never seem to frightful.

The Health and Safety Executive have just released four safety films in which such techniques have probably been used in conjunction with genuine shots—although with such skill it is difficult to be sure. All are concerned with the guarding of machinery — *The Abrasive Wheel Regulations, Principles of Guarding Machines, The Woodworking Machine's Regulations* and *The Guards of Power Presses*. Short, concise and beautifully photographed, these films are a model of what the camera can do in showing and explaining. In spite of my earlier remarks, they rely less on gore than is usual in safety films and achieve their impact by a rational presentation of the facts.

Manipulated

In these circumstances, no one can complain about the truth being manipulated. This is merely what John Grierson termed "the creative interpretation of reality." It happens again in a new Post Office telecommunications film, *Why Me?* which uses actors to raise conscience levels over energy saving—although the reality of this is hardly presented in a creative and exciting way, with the humdrum story of events in a P.O. office administration block.

For really strong stuff in examining issues of the truth and how perhaps to control the truth, the best challenge of recent weeks came to me in a Swedish videocassette programme. Produced for the Swedish Employers Confederation, this is a management training package about how to deal with the media. It is a programme which our own Confederation of British Industry should seriously examine as an example of the kind of thing they should be doing, though it is not available yet in the U.K.

The programme tackles all the serious problems that can confront businessmen when handling media people — such as television appearances and the unprepared press interview. It is excellent, pertinent and authoritative, in spite of the use of actors and staged situations. Ironically, it is a perfect justification for faking results in order to equip people to defend themselves against distortions of the truth.

Ultimately, all modern media introduce distortions. Absolute truth and objectivity cannot be accomplished. When a camera is pointed at a scene, the cameraman has already imposed his own form of censorship in deciding how to frame the shot. Depending on his choice of lens and viewpoint, he can exaggerate and distort the perspective, giving dominance to some things and insignificance to others; a process further enhanced by the editor.

Some months ago I tested this thesis by taking a film unit into the City and then to Bermondsey, interviewing passers-by on their views about the City's image. We were subsequently able to edit four totally different sequences together—City people giving pro views, Bermondsey inhabitants anti views, and then vice versa. It caused one leading spokesman on industry to say to me that the result had frightened him.

Maybe Chris Dunkley has a point. The creative interpretation of reality is only acceptable so long as it is exercised by responsible people. And who is to say who they might be?

Sport ground rent—£1

THE GENERAL Electric Company has leased a 17-acre sports ground to the London Borough of Greenwich for £1 a year.

Greenwich in turn will lease the site containing a club and playing fields to the Meridian sports co-operative.

The sports ground has been used by AEI, a wholly-owned GEC subsidiary, which was closed in 1971.

The co-operative comprises cricket, football, hockey, rugby, roller-skating and archery clubs. It opens for sporting events on October 1, and will be formally opened in the New Year.

Leyland abandons Jaguar racing programme

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

The Racing Jaguar XJ5.3 Coupé

LEYLAND CARS' Jaguar racing programme, launched on a wave of confidence 18 months ago, was abruptly abandoned yesterday because of the damage a season of failure was doing to the company's image in Europe.

The premature sacrifice of the programme, with three races in the European Touring Car Championship still to go, came after another failure on the track at Zolder in Belgium at the week-end.

There has been mounting criticism within Leyland that the car's long record of poor results was hindering rather than helping the company's push into Europe which it was supposed to promote.

In spite of extremely fast times in practice sessions, when the Jaguar frequently proved itself the fastest car on the circuit, its highest placing was second at the Nurburgring in Germany last June. On several other occasions the vehicle was forced to retire, culminating in failure at the recent Silverstone meeting.

A particularly serious fault in the Leyland marketing department's eyes was the propensity to break down shown by the vehicle.

This inevitably cast a shadow over the reliability of the car at a time when Leyland was struggling to get rid of the image of poor reliability.

Leyland's decision to scrap the Jaguar racing programme is also the first tangible sign of the financial retrenchment which is being forced on the company by its low level of profitability.

Mr. Leslie Murphy, chairman of the National Enterprise Board, which owns the majority of the Leyland shares, made it clear only a few days ago that the company could not expect additional financial help to that already offered.

This means, in effect, that Leyland will be forced to find ways of reducing its own expenditure if it wants to keep its ambitious investment programme intact.

Savings from the abandonment of Jaguar racing could amount to about £250,000, although Leyland has refused to put a firm figure on the cost.

The racing team, which used to run four top-class drivers, is being broken up, along with the special department, under Ralph Broad, which prepared the vehicles. But Leyland made it clear yesterday that it is continuing activities in the saloon car championship rallying programme continue.

Ban on Packer players is penal, court told

THE CRICKET authorities' ban on cricketers who have agreed to play for Kerry Packer in Australia this winter was "illogical, dictatorial and penal," a High Court judge was told yesterday.

It deprived them of an elementary liberty, said Mr. Robert Alexander, QC, for Mr. Packer's company, World Series Cricket Proprietary Limited, and former England captain Tony Greig, fast bowler John Snow, and Gloucestershire captain Mike Procter.

At the end of the day's hearing Mr. Justice Slade gave leave for World Series Cricket's name to be substituted for that of the original plaintiff, J.P. Sport Proprietary Limited.

The plaintiffs seek orders preventing the Test and County Cricket Board and the International Cricket Conference banning Packer players from Test and county cricket.

The three cricketers and Mr. Packer, who will give evidence later this week, were in the crowded courtroom. The case, expected to last 15 days, is contested by both defendants.

Mr. Alexander told the judge that for the first time cricketers were being given security of earnings in the English winter. The Packer men would be able to earn £12,000 in the winter, compared with the average £3,000 cricketers received on tour in India, Sri Lanka and Australia last winter.

Mr. Greig, Mr. Snow and Mr. Procter were free to sign contracts with Mr. Packer's company, because they had no contractual ties with their clubs for the winter months. But the TCCB and the ICC had "overreacted" and made a determined effort to stifle Mr. Packer's plans.

The ICC had placed a life ban on any player who honoured his contract with Mr. Packer's company—though there was a provision for lifting that ban. The TCCB had banned Packer players from county cricket.

It amounted to a "19th-century lockout."

Deprived of living

The ban was illogical because it would deprive English cricket of leading players whose presence the authorities said was beneficial to the success of the game.

It was dictatorial and penal because the authorities were depriving those who wished to play in the Packer winter matches of their summer living.

This was a deprivation to be shared by clubs wishing to employ them and by the public who hoped to see them.

In effect the authorities were saying "either you must agree to work when, where and for whom you wish in the winter, or we will drum you out of your chosen field of employment."

The sheer magnitude of the claim has perhaps been persistently confused by quite misconceived, that it is being done for the good of the sport.

Mr. Packer's arrival on the scene had already brought an improvement in cricketers' earnings, and for their welfare was greater than ever before.

Mr. Alexander said Tony Greig earned less than £10,000 from playing cricket, apart from advertising and other, though reports of the sum he had been exaggerated. Regarded his Packer contract as extremely attractive and wished to continue playing for Sussex for a few more years, being grateful for the support Sussex had given him in the past.

Snow earned between ... and £4,000 a year from cricket; Procter about £...

The hearing continues tomorrow.

TENNIS — BY JOHN BARRETT

Pernod series fills vital role

THE TROPHEE PERNOD which begins its three-tournament run at the Meadowbank Stadium, Edinburgh, this week, fufils a vital role at this twilight time of the British tennis year.

With a two-tier format that embraces an international eight-team under-21 tournament for men and women from Canada, Czechoslovakia, Holland, New Zealand, Sweden, Switzerland, West Germany and Britain, and two open singles draws of 16 players, this is competition of exactly the right calibre for players not yet of the standard to challenge at the Grand Prix level.

However, even one or two who are, have chosen to compete. Britain's top-ranked Mark Cox, who lies 13th in the computer rankings for all the world's players and is 16th in the Colgate Grand Prix points table, is playing this week and again in two weeks' time in Bournemouth.

A previous engagement prevents him playing in next week's tournament in Washington New Town.

The form of Davis Cup man David Lloyd, who is playing the whole circuit, will be closely followed by the all those with an eye to the game's evolution. He intends to use his new £140 graphite Phantom frame, with the new stringing system which caused such an outburst from one of its victims, Ilie Nastase, in Paris last week.

Testing it with Lloyd last week was unlike anything I can remember in 30 years' experience of the game. Spin is wickedly exaggerated and there is an eerie absence of sound. The nearest comparison I can make is the memory of my first game of table tennis against an opponent using a sponge rubber bat.

After only three days' practice, Lloyd was making the ball dip and kick with a consistency he has never achieved before. The two best players in the world at the moment are the Wimbledon title holder Bjorn Borg and Guillermo Vilas, the French and U.S. Open champion, and they both achieved this effect with tightly strung conventional rackets by hitting controlled top spin with tremendous power and fine timing.

The revolutionary stringing, which has two "faces" strung slackly but linked across the main strings with five rows of knotted nylon fishing cord, catapults the ball with fierce spin almost without effort from the wielder.

An opponent with a conventional racket faces the same problems set by Bjorg and ... The ball travels in a ... dips to the baseline and ... up awkwardly forcing ... played from shoulder ... never an easy stroke ... An approach to the net ... the new racket is virtual... unless length and pow... perfect. Either a passi... dips impossibly fast ... lunging racket or else ... low top-spin lob flies ov... out of reach.

Rest assured, we shall ... more of all this. The ... national Lawn Tennis Fede... which administers the ru... the game, will surely c... whether to ban double st... in the general interest. ... have never been any rul... erning the dimension... materials of a tennis racke... there might be, but the ... will be long and involved.

Another innovation ... Trophee Pernod is the ... electronic computer-con... line call system designed t... the umpire in deciding clos... The reaction of players, ... and spectators will be ... watched by those who ... as I do, that this sort of d... ment is inevitable and ... essential, if tennis is to co... its present expansion as a ... spectator sport.

RACING — BY DOMINIC WIGAN

Cheveley Park Stakes cuts up

WITH AMARANDA out of tomorrow's Cheveley Park Stakes at Newmarket through temporary lameness, France's Lady Jane Grey has hardened to become a 3-1 clear favourite.

Michael Stoute's Fair Salina, who impressed me yesterday in a breeze with stable-mate Glinting at Newmarket, has also been the subject of interest, shortening to 4-1. The Petingo filly, who will be partnered by Greville Starkey, is at present marginally preferred in betting to the Irish pair, Noiritza and Sookera.

The last-named, a highly impressive winner of Royal Ascot's Chesham Stakes, in which she found no difficulty in disposing of Tumbledownwind, is said to be right back to her early summer brilliance, and it will not surprise me if she winds up a firm favourite.

Looking ahead to Thursday's William Hill Middle Park Stakes, Persian Bold has been announced a definite runner by Tony Ingham, who has secured the services of Geoff Lewis. But one who will not be in the line-up is Vincent O'Brien's Solinus, who had a hard race when going down to Sexton Blake in Doncaster's Laurent Perrier Champagne Stakes.

GOODWOOD
2.00—Amherst
2.30—Magnitude**
3.00—Mauritania
3.30—Roaming Cloud
4.00—Prince Tancing**
4.30—Sousa*

Newmarket looks likely to be represented by several, including that progressive Song colt, Music Maestro, who has gone from strength to strength since landing minor events at Beverley and Ripon in the early summer. Others expected to take their chance in this race, for which Formidable is a ... favourite, are Aythorpe, Labienus, Royal Pinnacle, Tardot.

Provided that he sees out the final furlong, Music Maestro seems sure to fully test the Seven Barrows colt, who was more in hand of Aythorpe than the three-quarter-length winning margin in Newbury's Mill Reef Stakes might suggest.

This afternoon's racing, consisting of flat meetings at Goodwood and Nottingham, and jumping card at Sedgefield, does not appear to offer a great deal. But for those looking for interest, Magnitude makes appeal. Still backward when third behind Home Run in the Deed of Gift at Windsor recently, this stable companion to Formidable may have improved sufficiently to lower the colours of Tannenberg in Goodwood's LimeKiln Stakes.

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.30 a.m. Open University (VHF only). 9.38 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Camberwick Green. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Ar Y Bryn. 3.53 Regional News for England. 3.55 Play School (as BBC 2 11.00 a.m.). 4.20 Astronut. 4.25 Jackanory. 4.40 Big John, Little John. 5.00 John Craven's Newsround. 5.05 Horses Galore. 5.35 Barbapapa.

5.40 News.

5.55 Nationwide (London and South-East only).

6.20 Nationwide.

6.45 The Osmonds (London and South-East only).

7.15 The Wonderful World of Disney.

8.00 David Essex.

8.30 Mastermind.

9.00 News.

9.25 Dave Allen at Large.

10.10 The War against Polio.

11.10 To-night.

11.50 Regional News.

All Regions as BBC-1 except at the following times:—

WALES—1.45-2.00 p.m. Fingerbobs. 5.05-5.35 Siangdifang. 5.55-6.20 Wales Today. 6.45 Heddiw. 7.15 Y Chwiltotwyr. †7.45 Happy Faces (Mack Sennett comedy). 11.50 News and Weather for Wales.

SCOTLAND—5.55-6.20 p.m. Reporting Scotland. 11.50 News and Weather for Scotland.

NORTHERN IRELAND—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 6.45-7.15 Down Under Down: Marine life in Strangford Lough. 11.50 News and Weather for Northern Ireland.

ENGLAND—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.45-7.15 East (Norwich) Spot On: Midlands (Birmingham) Top Gear Special; North (Leeds) No Job for Spanner; North East (Newcastle) What's Cooking with guest Jack Charlton; North West (Manchester) Showing Tonight; South (Southampton) The Getaways; South West (Plymouth) Peninsula; West (Bristol) Day Out.

BBC 2

6.40-7.55 a.m. Open University.
11.00 Play School.
11.25 Open University.
2.00 p.m. Liberal Party Assembly: coverage of the debates, including opening speech.
4.55 Open University.
7.00 News On 2 Headlines.
7.05 May I Have the Pleasure.
7.30 Newsday.
8.10 Floodlit Rugby League.
9.00 Film [illegible]
9.30 The Water Margin.
10.15 Summer of 77.
11.15 Late News on 2.
11.15 The Old Grey Whistle Test.
11.55-12.00 Terence Judd plays Liszt.

LONDON

9.30 a.m. Schools Programmes. 12.00 Issi Noho. 12.10 p.m. Pipkins. 12.30 Out of Work. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After noon. 2.25 Liberal Party Assembly. 4.20 The Sooty Show. 4.45 Magpie. 5.15 Sportscene.

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 All in the Game.
7.30 You're Only Young Twice.
8.00 The Streets of San Francisco.
9.00 London Belongs to Me.
10.00 News.
10.30 The Christians.
11.30 Dan August.
12.25 a.m. Close: Heather Emmanuel reads a prayer by Rosa George.

All IBA Regions as London except at the following times:—

ANGLIA

[illegible]

ATV

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 — 247m

(S) Stereophonic broadcast

[illegible]

RADIO 2 — 1,500m and VHF

(Q) Quadraphonic broadcast

[illegible]

RADIO 3 — 464m, Stereo & VHF

[illegible]

RADIO 4

434m, 330m, 285m and VHF

[illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,477

ACROSS

1 Ask for a single—get away! (6)
4 When a wine-taster will settle for port (2, 1, 5)
10 Party-time for the old majority (6-3)
11 A course for nearly everyone within the law (5)
12 Even in sweet natures there is a source of eruption (4)
13 Grinding wardens (10)
15 A quarter with abundance for simpletons (7)
16 In the streets everything comes to a standstill (6)
19 One in Holy Orders after a French girl—that's odd (6)
21 There is nothing in an embarrassing situation for this legal officer (7)
23 "Madam, I'm Adam" was presumably the first example of this (10)
25 In a young child right may be wrong (4)
27 "How shall we —— thee, who were born of thee?" (Benson) (5)
28 Strikers ripe for diabolical employment (4, 5)
29 Time to get up—a test for horse and rider (8)
30 Suit for the gravedigger (6)

DOWN

1 Some birds find another in pieces (8)
2 Coloured cape for one inexperienced (9)
3 Observe a difference of tone (4)
5 Proverbially difficult to find —want the French to help? (7)
6 Fine distinctions calling for the trichologist (5, 5)
7 We look to goose or gander for this instrument (5)
8 Trouble the doctor—just in case (6)
9 Reproduces an easy thing in a Greek island (6)
14 A number get a little cross with the school examination (6-4)
17 Where to find yes-men. Wake up! (4, 2, 3)
18 Objections made by experts about a river (8)
20 Gin runs wild in this sisterly activity (7)
21 Handsome cartoonist in arch surroundings (6)
22 "Mocking the air with colours idly ——" (King John) (6)
24 French and English articles combine to give us a turn (5)
26 Fellow has cheek (4)

Solution to Puzzle No. 3,476

هكذا عند الأصل

Surrealism revalued

by DENYS SUTTON, Editor of Apollo

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about whom the last

word is far from being said is the surrealists. Gaetan Picon in his handsome volume, Surrealism (Macmillan, £20 until December 31; then £25) is convinced that Surrealism was the most important artistic movement between the two Wars. He argues his case with skill, but not everyone would agree with his view that *Surrealism was* essentially a French movement, remembering that such leading *lights* as Ernst, *Miro* and Magritte were German, Spanish and Belgian respectively.

One of the attractions of this volume is the wealth of illustrations. It has no fewer than 68 colour plates and 340 black and while illustrations. These permit *the illustration not only of most* of the chief works produced by the Surrealists, but of their portraits and many documents. Some of the photographs are highly amusing, such as one taken by Man Ray of Marcel Duchamp with his head shaved by Georges Zayas (1921) and one of the Dada Festival at the Salle Gaveau, Paris, 1921, which is pure Marx Brothers, *avant la lettre*.

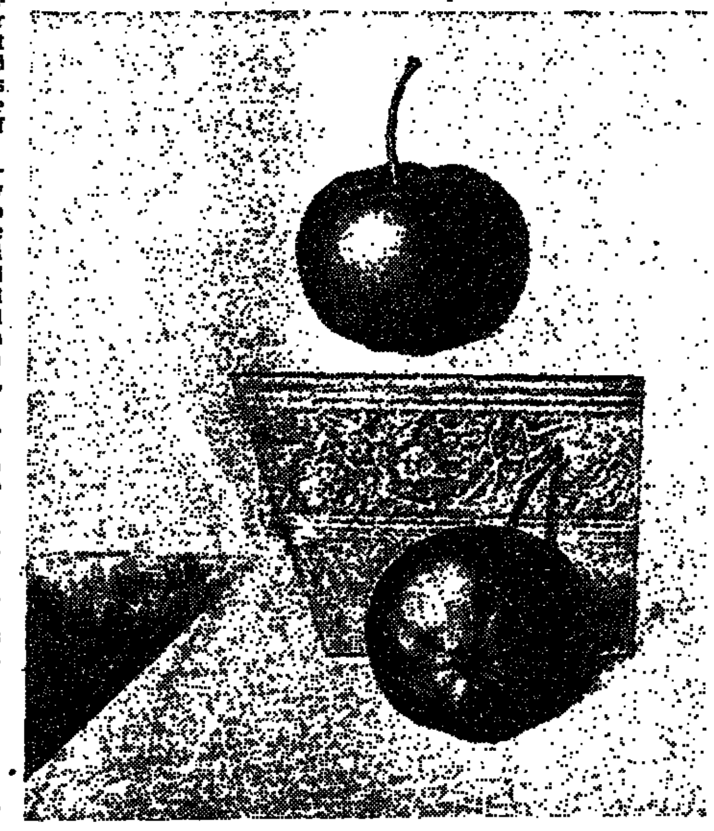
The Surrealists, like the Dadaists, staked all on revolution: they detested such establisment *figures* as Anatole France and Paul Claudel. The open letter which the group addressed to Paul Claudel at the banquet held in honour of Saint-Pol Roux in 1925 is pretty predictable stuff with its anti-French sentiments. One result of this *section in the book* may be to induce readers to take another look at France and Claudel and see how their works compare with those of Aragon and Eluard. A play such as Claudel's *Le Partage du Midi* still exerts its magic.

Gaëtan Picon provides a detailed history of the movement and supplies chronologies and bibliographies, so that his book served as an important work of *reference. He is most informa*tive on the political affiliations of the movement which were on the Left, but he does not go into detail as to how these opponents of society *managed to live*. We are left in the dark as to the extent to which the Surrealists had patrons during the 1920s and 30s. There is, for instance, no mention of Mr. Edward James who bought so many Surrealist pictures.

More readers will probably be familiar with Surrealist painting rather than literature. In this *connection*, *Gaetan Picon* is admirable on the art side: he points out that a painter such as Chirico, although influent on the Surrealists, never belonged *to the group*. However, to many Chirico's neo-classical, nostalgic vision *suggests* the essence of *Surrealism*.

The manifestos and reviews, the battles and the *exhibitions* now belong to history. What of the paintings themselves? The *images created by Ernst*, Magritte, Miro, Tanguy and Dali retain their appeal. Some of their works — those by Ernst and Magritte especially—possess an air of mystery and disquiet, but in general they make an impression of witty and elegant *decoration. The relationship*, for instance, with the pseudo-rococo work of a Rex Whistler and the theatre decoration is more striking than is often suspected. *In fact, for all its revolutionary* appeal, Surrealism is an offspring of fin de siècle aestheticism and of a leisured society.

The public will have a chance of *seeing a large Surrealist* exhibition in London next year. This is being organised by the Arts Council, which has opened the ball with an advertisement *announcing the creation of a post* for what is somewhat grandly called a "temporary research officer" whose job will be to study both the reactions of those *attending the exhibition in rela*tion to the aims and design intentions of the exhibition organisers, and the extent to which the aims and intentions behind the provision of supporting and educational material are realised. The Arts Council should be asked to justify this preposterous expenditure of the tax payers' *money*.



Max Ernst: Pommes Visibles

Spoleto

A Disappointing Première

by WILLIAM WEAVER

When the first Festival of Two Worlds opened here in 1958, there were some sceptical observers of the Italian cultural scene who predicted a short life for the organisation. Economically, it was a miracle that the first festival actually reached *the end of its programme (only* a last-minute, munificent gift allowed Gian Carlo Menotti, *Spoleto's founder, to pay the* artists). Even the most optimistic would have hesitated to predict that, two decades on, Menotti's brainchild would be approaching its majority, alive and flourishing. Now the prospects for the future look bright: *on the opening day, a Cabinet* Minister assured the management here that the Government *would virtually assume financial* responsibility for future festivals. As if to indicate Spoleto's finally recognised importance, Italian television was omnipresent, broadcasting the inaugural opera—Nino Rota's *Napoli milionaria*—in Eurovision *and interviewing participants* and guests regularly.

From an artistic point of view, ironically, this twentieth festival has not lived up to its often uneven, but always *stimulating* predecessors. The Rota opera was a disaster, and its resounding failure seems to have cast a pall over the town and the organisation. On paper, the project must have looked good: the world première of an opera by a *highly-respected composer*, famous for his Fellini soundtracks and for some charming, witty operatic farces (like *The Italian Straw Hat*, being done *this summer in Santa Fe*): the libretto would be drawn by Eduardo De Filippo himself *from his great play, first seen* in 1946 and long considered a masterpiece of contemporary Italian theatre. For the production, staged by Eduardo, Spoleto called a versatile, experienced conductor, Bruno Bartoletti, a gifted designer, Bruno Garofalo, and a cast of gifted singers, most of them young. *The youthful Westminster Choir*, sensitively directed by Joseph Flummerfelt, was also on hand, along with the carefully picked student orchestra billed as Spoleto Festival Orchestra USA.

In the event, despite Bartoletti's committed conducting, despite the staging of the author, the high level of the singing (the *American baritone* William Stone was outstanding in the ungrateful role of an American soldier), the opera simply did not work, and the fault lies squarely with the librettist and the composer.

Eduardo's play was unforgettable: *wry, bitter, hilarious*, a fresco of the hand-to-mouth life of wartime Naples and the frenzy *of its false black-market* prosperity just after the liberation. In turning his story into a libretto, the author naturally had to make some cuts; but he also, and unfortunately, made numerous additions and drastic changes, introducing new characters, altering old ones. Gennaro's bewildered dismay in the original has now become sententiousness; *his wife Amalia, a* woman led into dishonesty by hardship, now seems merely *amoral and not very interesting*. The words of the duet between Gennaro's daughter and her GI are downright embarrassing ("No, I am not Pinkerton. I am Johnny, the soldier . . ."). The understated ending of the play has been scrapped in favour of a *melodramatic police raid, with* Gennaro's son being shot.

If Rota's music in the past has *never been remarkably* personal, it has always been distinguished by intelligence and craftsmanship. The score of *Napoli milionaria* seems the work of *another man: trashy orchestral* effects (including strumming mandolins), soupy climaxes, insistent quotations (of "Funiculì funiculà" and, for *obscure reasons, the old Austrian* anthem by Hadyn, known to hymn-singers as "Glorious things of Thee are spoken").

The second opera on the Spoleto calendar was *Così fan tutte*, to be performed in the tiny and lovely Teatro Caio Melisso. *The inexperienced con*ductor Daniel Nazareth and most of the largely inexperienced cast took the theatre's acoustics into no account: all was too loud, at *times ear-splitting. Giorgio De* Lullo decided on a deliberately "poor" production (the was responsible for sets and costumes as well as staging), with the bare walls of the Caio Melisso often visible, with lines of laundry to stand for the sisters' Neapolitan garden, and a generally barren air.

There was no Parthenopean sunniness, no glow. Surely this sophisticated, nuanced opera is *all wrong for neophyte singers*. In fact, only Rolando Panerai—the Don Alfonso—seemed at home and made the proper effect, using his voice with subtle tact and portraying the cynical philosopher with spare gestures. The Despina, Betsy Norden, is a *charming, agile soprano*, but De Lullo allowed—or encouraged—her to mug and prance in the worst tradition. Alma Jean Smith, the Fiordiligi, has a sweet voice, but is not yet ready for the role. Of the other singers, nothing need be said.

In the festival's early days, Menotti avoided presenting his own works, but they have gradually come to assume a major role in Spoleto's programmes. This year he staged his *Maria Golovin*, which was actually completed at Spoleto and rehearsed there in *the summer of 1958 for its* Brussels première. This new production by Menotti, designed splendidly by *Pier Luigi Samaritani*, was, on its own terms, totally successful. Christian Badea drew smooth, fluent playing from the young orchestra, *and the cast was excellent*, headed by Fiorella Carmen Forti in the title role. Though her voice is neither strong nor beautiful, she has a commanding stage presence and was always affecting as the doomed beauty. As the blind Donato, Charles Long *—a young American baritone—* moved convincingly and sang with great musicianship and conviction. He is a more than promising artist. Giovanni Fioroni was perfect as the testy maid, and Maureen Morelle was admirable as the mother.

As usual in Spoleto there were various marginal shows: one of them devoted to Piero Tosi's costumes for Visconti's films was especially effective. Housed in the run-down 17th century Villa Redenta, on the outskirts of the city, the assembled costumes seemed an apotheosis of a Visconti world. One almost ex*pected to see the mannikins come* to life and dance through the stately rooms with their faded frescoes or the overgrown garden with its silent fountain.

The Entertainment Guide is on Page 36

Sadler's Wells

The Two Pigeons

Margaret Barbieri

The Two Pigeons is generally performed as a comedy of sentiment, with youthful longing to provide most of the emotion. To see the piece performed, as it was on Friday night, in altogether brighter and more combative terms, was something of a surprise: and it was no less of a surprise to find that this made excellent sense in the first act. The action became a sequence of sparring matches between Margaret Barbieri (as the Young Girl) and Desmond Kelly (as the Young Man), and then with Maina Gielgud (as the Gypsy Girl). Barbieri is the prettiest feather-weight contender we are likely to see, and her battles with Kelly and Gielgud were marked with spitfire energy and darting foot-work, as well as by an appealing sincerity when her beloved opted for the dark eyes and gold-coin assets of *the gypsies* (Barbieri's run, most touching.)

Even more impressive in this Wells Royal Ballet performance was Desmond Kelly's presentation of the hero. Not as youthful-seeming as most interpreters, Kelly proposes with a character more like that first envisaged by Ashton. Although the role was created by the very gifted, but still immature, Christopher Gable, it had been intended for Donald Britten, an altogether different artist—more assured, more "grown-up" in stage presence. This is Kelly's quality in the role, and the contrast with Barbieri's teasing, wilful innocence makes for bright dramatic effects. I found, in fact, that Kelly's performance was the best reasoned and the most convincing that I have seen. Playing of such intelligence and such resource merits every praise: it is not a cerebral performance, though, whose appeal is that we say "How right." It comes from the heart, and we feel "How true."

Admirable in everything, Kelly dominates the work, and this slight shift in emphasis makes the ballet seem more *directly the story of a young* man's journey to maturity. Kelly's dancing is strong and clear—he rips through the second act solo in fine style—and for all his impetuosity of temperament, there is plenty of poetry in the reading, too.

Because Barbieri and Gielgud are happy to play the first act *for every moment of comedy* it contains, the dances in the studio went very merrily: I have not heard an audience laugh so much during *Pigeons* for years. Rage, contempt, thoroughly dubious Romany passion and absolutely authentic feeling were all part of the fun, and in subsidiary roles there was much to commend in the dancing of Derek Purnell and Brian Bertscher as gypsies. (I wish, though, that the gypsy girls would achieve some uniformity of make-up, and also allow their bodies to bend and yield to Ashton's swirling dances with *more suppleness*.)

In the performance of *Concerto* that opened the programme, I admired the buoyant, well-matched dancing of Marion Tait and Kim Reeder in the first movement—they have achieved a muscular accord so that both bodies seem impelled by the same musical understanding. *The trio of male soloists* could with advantage emulate the Tait/Reeder ease and unanimity, and cleanliness of dancing.

Musical standards this season have been very good under Barry Wordsworth and Colin Metters—superior to some of the grudging, lack-lustre interpretations I have heard at the Opera House during the past year.

CLEMENT CRISP

Elizabeth Hall

Maisky/Lupu

by MAX LOPPERT

Schubert's A minor Arpeggione Sonata on Sunday evening revealed the Russo-Israeli cellist Mischa Maisky as a player of uncommon power and emotional intensity, *also one of slightly* unsmiling seriousness, who cast over tenderly playful and melancholy phrases alike the same unremitting sombreness of demeanour. *Brahm's E minor* Sonata, Op. 38, completed the impression of power—seldom does its opening rise out of the depths with greater portent of *dark epic struggles to come*; later, when Brahms thrashes cello against piano in dramatic search for the second subject, the grinding, sawing movements were not *just dramatic decoration, but* expressive of playing urgently coming to grips with the massiveness of Brahms' instrumental thinking. But power was also *tempered and refined—the light*ness of touch, the glancing shades of tone Mr. Maisky brought to the Allegretto spoke with double eloquence after such forcefulness.

In both works, Radu Lupu reminded us once again that he is a chamber pianist of uncommon sensitivity. The many-faceted *ease of touch, which sometimes* strikes a faintly careless or affected note in concerto performances, chimed here to the character of the soloist with utter *selflessness*—and yet there was also chance to seize gratefully on the few solo utterances for the piano (such as the start of the Arpeggione), phrased with rare *wistful charm. Franck's A major* Violin Sonata, in the version for cello, rang out with impassioned immediacy. A violin shines more radiantly in the high-soaring *lines here confined to the cello's* middle register; and, even with the lower instrument, one can imagine a reading more concerted to render the pre-Raphaelite *pudeur* of the music. But there was no doubt of its dramatic power. An exceptional recital, in sum, by an exceptional duo.

stival

npoli/Tryon

by ARTHUR JACOBS

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Ruralia Hungarica be

was the spirit of dash and gaiety.

Woe to the concert-goer who *sought guidance to the Liszt* items by consulting the printed programme. It stated wrongly that the *Grand Duo* was not discovered until 1963 and that the *Epithalamium is based on a* piece called *Marriage Feast* by the violinist Remenyi. (It is a completely original work of Liszt, written for Remenyi's own *marriage*.) *Neither of these* pieces can really stand up today, even with the aid of Tibor Serly to complete the *Grand Duo*. But a set of variations on a song called *Le Marin* was worth rescuing, and incidentally provided Miss Tryon with a brief opportunity to *shine. She shone.*

*

For the afternoon concert at the New Gallery in Regent Street a sadly thin audience gathered to hear Louis Kentner play Liszt's so-called *Malédiction* for piano and strings, with the Manchester Camerata under Szymon Goldberg. Though this was part of the Liszt Festival, it was the only *work by him* on the programme, *otherwise* devoted to Mozart and Bartok. Would the hall have been fuller for an all-Liszt programme? Are there numerous Lisztians who won't turn out for anyone else? *Hardly an appropriate line for* admirers of a composer so notoriously and continuously helpful to and interested in others.

Malédiction may not rank with Liszt's full length concertos or with his *Totentanz*, yet the soloist's material at any rate is striking and attractive enough to *warrant more than an occasional* performance. Any composer less protean and restlessly creative *would surely*, at some time during the half-century or so that remained to him after completing this early work, have returned to the score, and re*worked it, conceivably using full* orchestra.

As he left it, there is a discrepancy between the elaborate piano writing (powerfully delivered yesterday by Mr. Kentner from his accustomed position on a footstool—how he produces such a flow of tone, goodness knows) and the rather sketchy string parts. Mr. Goldberg and his players from Manchester had already proved themselves in a performance of Mozart's *Eine kleine Nachtmusik* unusually full of interest.

RONALD CRICHTON

l Hall

Richter

by DOMINIC GILL

v Richter's piano
inday afternoon made
contrast with the re-
sombre account of
s C minor concerto he
with the Philharmonia
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hesitation: a display of
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dazzling was the craft!
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single phrase, as often
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eb of semi-staccato,
-shaded accompanying

figures, combinations of legato and non-legato, juxtapositions of opposing *texture, quicksilver* and granite-firm. As an introduction to an otherwise all-Chopin first half, Richter began with Beethoven's Andante in F *major—the andante favori* first conceived for the Waldstein sonata—proposed almost entirely in half-voice: extraordinary tone-colour, at times at the very edge of audibility, but as in the Albert Hall last week, of a carrying power that filled every corner *of the hall*.

The first of Richter's Chopin group, the three Waltzes op. 34, played as a sequence, brought the cantabile to full voice: a brilliant, *effervescent account*, touched in the A minor Waltz with great sadness. A Barcarolle of unnerving mastery, superbly drawn, almost casual in effect, followed a B flat minor Scherzo which drove its second subject relentlessly, *but* was otherwise a model of dramatic cunning and restraint—unleashing in the final pages a climax of tremendous force (and for the first time, in their very rarity a sudden heightening of tension, a sprinkling of wrong *notes*).

For his second half, devoted to Debussy, Richter returned to rejoice in the gentle, neo-classical manners of the early *Suite Bergamasque*, allowing the Prélude, Menuet and Passepied colours of which Debussy may have dreamed, but never heard, sheen of the most delicate and *tremulous* refinement half-translucent, half-opaque. Clair de lune he took very slowly (more *lento* than *andante*)—exquisite essay, etched in moonshine, of triple-*piano* sonority. The three miniatures of *Estampes*, as well as the little "Fille aux cheveux de lin" *given* for an encore, he spun with a *halo of moving* lights — in "Jardins," palely, like a tracery of rain seen (and heard) from far away. Magical afternoon.

EUROPEAN NEWS

INFORMATION ABOUT THE SOVIET BLOC

Obsession with secrecy that impedes detente

BY DAVID LASCELLES

HOW MANY tons of gold are there in the Soviet state bank? How many Russians were convicted for murder last year? How many jets does Aeroflot have? How much does Mr. Brezhnev earn? We simply do not know because the Russians do not tell us. Russian secretiveness is well known, and these are sensitive questions.

But secrecy does not stop there. The Russians are as tight-lipped about anything to do with minerals (including salt), non-ferrous metals, and even apparently harmless industries such as printing. The veil covers energy consumpton, grain stocks, foreign trade in services, all crime, and thousands of other facts and figures considered innocuous elsewhere.

Russian obsession with secrecy, which is unmatched in the European world, can variously be attributed to national tradition, the ideological war and even, in some cases, sheer embarrassment. Whatever the cause, it constitutes in many people's view one of the biggest obstacles to better East-West relations, particularly since the Russians demand a similar secretiveness from their allies. Quite apart from making it difficult to establish trust, secrecy also appears to be holding back the growth of East-West trade, whose volume is still only a fraction of what exchanges between two such large industrial regions should be.

Despite the well-known problem of East Europe's debt, western bankers maintain they could double, even treble, the volume of their lending if only documentation was forthcoming. Some progress has been made in this field, it is true. In negotiating two recent loans, Hungary provided information about its balance of payments. The Hungarian National Bank publishes an annual balance-sheet which gives a rough idea of how much gold it has in the vaults. Poland, whose debt problems are more severe than most, has begun to provide the West with slightly more information about its export prospects for coal and copper, two of its principal assets.

Photograph

Censors' practices also vary slightly from country to country. Hungary publishes the number of people sentenced to death (three in 1975), Poland publishes current copper production figures as well as future targets. In the Soviet Union you may photograph the mighty Ust Ilim dam in Siberia, but not the scruffy little airstrip that serves it.

What information is allowed out tends to be disorganised and only erratically translated. The GDR's last statistical yearbook was delayed for over a year. Romania has not published statistics in any language but Romanian for years. The Russians appear to have reduced the print run of their foreign trade statistical yearbook.

But just how reliable are these statistics? The foreword states that the book illustrates the "stable and dynamic growth" of Comecon, which suggests that its aims are not entirely devoid of propaganda. One assertion that is patently untrue is the Soviet claim that 100 per cent. of production in industry, agriculture, and the retail trade comes from "socialised" sources, that is state or co-operative organisations. What about those famous private plots, and the free markets where produce from them is sold? But the book makes up for this with a few tables which show the warts as well. The decline of Soviet housebuilding, an extremely sensitive topic, is there for all to see. So is the dwindling of the population in East Germany.

It gives a good idea of the foreign trade flows of member countries, and has a detailed section on investment patterns — a subject of strong interest to the West. There is also much basic data on industry, agriculture, social services, population and so forth.

The section on retail trade throws some unusual light on life in Comecon. The East Germans seem to have become acutely weight-conscious, their intake of sugar has dropped sharply since the early 1970s. The Hungarians by contrast are guzzling sugar, sweets and pastries in ever larger quantities.

Newspapers

The Russian housewife has plainly tired of new-fangled machinery: sales of washing machines have slumped dramatically since 1970, but sales of soap and detergents have soared. And Pravda must be somewhat livelier than we imagine. The Russians read on average twice as many newspapers as their socialist neighbours.

None of this makes one feel too sanguine about that part of the Helsinki Declaration which was supposed to lead, among other things, to a better flow of general and business information between East and West. The one glimmer of light was the decision by the Comecon countries to sell the translation and world distribution rights of their Statistical Yearbook to a British publisher, IPC.

This Yearbook, which has now appeared in London, collates a wide range of comparable economic and social statistics about the nine Comecon countries, and gives the fullest set of facts about the grouping to be available between two covers. It does not, of course, contain brand new information since it is subject to the same censorship as Comecon members' national statistical yearbooks. But it does, at least, make Comecon information available in a convenient form and in English.

Useful though this publication is for anyone dealing with East Europe, it can hardly be said to mark a step forward in East European information policy. We still do not know how much copper or aluminium the Russians produce each year. The East Germans draw a veil over how they distribute investment in their heavy industry (though the other countries tell us). The Romanians prefer not to reveal per capita consumption of main foodstuffs.

East Europe's disappointing record on information is bound to be raised by the West at the Helsinki review conference which is due to open shortly in Belgrade. But the chances of making much headway are, most observers believe, small in view of the Russians' deeprooted habits and the high priority they give to national security.

1976 Statistical Yearbook of the member countries of the Council for Mutual Economic Assistance (Comecon) 494 pages. IPC Industrial Press, £21.

Herr Franz Josef Strauss ... no rival in sight.

Strauss tightens hold on his party

By Jonathan Carr

…cialists make …ns in …ench Senate

…CURRY

PARIS, Sept. 26.

…ST Party has taken … centrists as the …lual group in the …House—the Senate …t of the partial …on Sunday. The 12 …Sunday takes their …4 seats, while the …nade more modest …g with three more …their tally to 23.

…spite the Socialist …1 was encouraged …bat 12 additional …ng contested as a …lation changes, the … of the Centre and …ve a comfortable …ity — enough, in …nake any constitu…s desired by a …ing government …sh through Parlia…

…entre parties, who …biggest coalition in …l back slightly, the …hed up five gains …37 senators. This …ehind the centrist …d the Giscardian

…ons have only …ficance. Only a …otal of 293 Senate … was being con… …e Upper Chamber renews a third of its membership every three years.

In addition, the voting is done by an electoral college of fewer than 50,000 drawn heavily from local authorities and reflecting the political balance at the local government level.

Thus, the results of the senatorial elections were predictable in the light of the changes in the control of local authorities caused by the municipal ballot last March. Neither the recent rapprochement of the parties of the Right around a common declaration of principles, nor even more recent near collapse of the left-wing Socialist-Communist alliance, will have had a significant bearing on the verdict. Whatever evidence can be gleaned suggests that the Socialist-Communist pact was adhered to by voters representing the parties in the colntry.

The results will occasion a Government reshuffle since the Giscardian M. Jean-Pierre Fourcade, whose super-ministry embraces housing, public works and regional development, has won a Senate seat and is resigning office in order to take it up. He cannot exercise both functions under the French constitution.

… foreign policy call

…LD DALE, EUROPEAN EDITOR

…EY RIPPON, leader …vative group in the …liament, yesterday … extension of the … institutions to … formation of a …pean foreign policy. … is still the closely …erve of the nine …ernments in the

…icy discussions in …f Ministers should … by a secretariat …ork in close liasion …ssels Commission. … preferably, its …s should be carried …nmission itself," he …ence of European …idents at Bemelen.

…'s speech is of …st in that it is …eflect the sort of … the Conservative …to include in its direct elections to the European Parliament, on which work is under way. Mr. Rippon said that, in addition to direct elections, there must be new efforts on a broader front to co-ordinate foreign, economic and monetary policies within a legal framework. The EEC Court of Justice in Luxembourg should be equipped with new powers to sanction member states defaulting on obligations.

On the economic and monetary front, the potential effectiveness of a single master plan remained highly dubious, Mr. Rippon said. What was required was a series of specific initiatives within the framework of a broadly agreed strategy.

These should include harmonising the more detailed instruments of economic policy, bringing tax rates more into line, liberalising capital movements and introducing an acceptable unit of account.

Russia expels U.K. trawlers

By Robin Reeves

BRUSSELS, Sept. 26.

BRITAIN TO-DAY called on its Common Market partners to consider cancelling Soviet fishing rights in EEC waters, following the harassment of British and French trawlers in the Barents Sea.

Mr. Bruce Millan, Secretary of State for Scotland, told the Council of Ministers that a Hull trawler had been boarded by the Russians in the Barents Sea on Saturday night and ordered out of the area, together with another British vessel fishing in the vicinity. Two French trawlers also received similar treatment.

They were given the clear message that all EEC vessels should be withdrawn from the Soviet sector of sea, said Mr. Millan.

According to officials, the vessels were told they were fishing without licences, though the Soviet authorities have not yet arranged to issue licences since Russian fishing limits were extended to 200 miles last March.

Mr. Millan, who was keen not to overdramatise the incident, stressed that it was not clear whether the move represented a change of policy or was simply the result of misunderstandings.

But if it was a "serious incident," he warned the Community should not extend the temporary fishing concessions, presently enjoyed by the Soviet Union in EEC waters pending the negotiation of a reciprocal fisheries agreement.

Until to-day, the Council of Ministers had been set to make a routine two month extension, from October 1, of Soviet fishing rights in Community waters. Since the Community extended its Atlantic and North Sea fishing limits to 200 miles at the beginning of the year, Russian trawlers have been subject to quota and licensing arrangements unilaterally imposed by the Nine. In practice, they allow the Russians to fish less than 200,000 tonnes at an annual rate with no more than 15 vessels present at any one time

Mr. Millan said diplomatic efforts were under way to try to clarify the situation. Until that happened Britain would find it very difficult to agree to the extension of Soviet fishing access.

It is conceivable that the Soviet government has now come to the conclusion that it is not worth continuing negotiations with the EEC. The amount of fishing they can expect is small, yet it would involve Moscow giving formal diplomatic recognition to the Community for the first time.

The Brussels line in the negotiations is that Soviet fishing in EEC waters must eventually be cut back to 60,000 tonnes a year.

U.S. warned on dangers of N-fuel reprocessing policy

BY DAVID FISHLOCK, SCIENCE EDITOR

VIENNA, Sept. 26.

ANY ATTEMPT to prohibit the reprocessing of spent nuclear fuel would probably encourage the proliferation of reprocessing plants, Dr. Sigvard Eklund, Director-General of the International Atomic Energy Agency, warned the agency's 110 member states here to-day.

Dr. Eklund, in his opening address to the 21st conference of the IAEA, cited uranium enrichment as a "prime example of how a policy of denial may stimulate research and development activity in a sensitive area."

The Non-Proliferation Treaty, he said, was an "infinitely better mechanism than a policy of denial."

His remarks were clearly directed at the U.S. administration, whose anti-proliferation policy, announced in the spring, included a moratorium on domestic reprocessing, and was followed by strong efforts to persuade other countries to adopt the same line. But the U.S. has, however, since shown signs of softening its hard line on proliferation.

One result has been a large measure of agreement at the meeting of the Nuclear Suppliers Group, representing the main nuclear exporting nations, in London last week, on safeguard guidelines under which "sensitive" nuclear technology such as reprocessing might be transferred from its 15 member states.

The outcome of this meeting is now seen as a strengthening of the terms of the NPT, and its guidelines are to be published through the IAEA.

President Carter, in a message read to the general conference to-day, said the U.S. was looking to the Agency for leadership in "assurance that the further expansion of peaceful nuclear applications will not lead to the proliferation of nuclear weapons."

The Shah of Iran, in another message read to the conference, warned that any attempt "out of haste and mistrust," to substitute unilateral, bilateral or multilateral arrangements for the integrated approach of the IAEA towards safeguards "would seriously endanger its strength and integrity."

There was no way of stopping the spread of nuclear weapons, said Dr. Eklund in his address. The question was not how to stop nuclear development but how to make the best use of it, and how to apply effective safeguards.

Intensive development work would be essential to make safeguards more credible and more cost-effective. The Agency had recently made advances with surveillance instruments capable of serving both purposes.

Speaking of the "substantial achievement" represented by the NPT, Dr. Eklund said the 102 parties now included almost all the main industrial non-nuclear weapon states. Even in those non-nuclear weapon states not party to the NPT, nearly all the significant nuclear plants were under international safeguards.

But he cited five exceptions—Egypt, India, Israel, South Africa and Spain—and said the number might grow unless the NPT regime was made universal.

U.K. urges strict controls

BY OUR SCIENCE EDITOR

VIENNA, Sept. 26.

THERE WAS no magic nuclear fuel cycle that would overcome all the problems of proliferation of nuclear explosives, Sir John Hill, chairman of the U.K. Atomic Energy Authority, told the general conference of the International Atomic Energy Agency here to-day.

Sir John, addressing the conference as leader of the U.K. delegation, said that Britain's strategy was to place the most stringent controls on the "sensitive" technologies—reprocessing, urnanium enrichment and heavy water production—and on the fissile materials which could be used to make atomic weapons.

Over the past year the international community had become more aware than ever of the pressing nature of the proliferation problem. Sir John paid tribute to U.S. President Carter and his anti-proliferation policy statement in April for awakening full awareness of its significance.

While pledging U.K. support for the International Nuclear Fuel Cycle Evaluation Programme (INFCEP), to be launched in Washington next month, Sir John said that Britain already recognised—and he was sure all IAEA member states recognised—that there was no simple technical soluation to the problem of non-proliferation.

INFCEP would be "valuable in clarifying our thinking on the most effective technical approaches." But the safeguard system operated by the IAEA was of fundamental importance to non-proliferation and it was essential that this should continue to be improved and strengthened.

Moreover, if the international community wanted to eliminate proliferation it must remove the incentive to acquire nuclear weapons. There was a direct link, he said, between removing the incentive for acquiring these weapons and the creation of stability and security in the world.

Those directly involved with nuclear matters carried a high responsibility. But non-proliferation, in the end, was a political problem and the basic solution must equally be political.

Local poll prospects worry Italy parties

BY DOMINICK J. COYLE

ROME, Sept. 26.

THE MAIN Italian political parties — but principally the Christian Democrats, who form the present minority government of Sig. Giulio Andreotti—are in a quandary over what to do about local elections scheduled for November, the outcome of which could undermine the unofficial national governing coalition which includes the Communist Party.

The government remains in office only because the Communists and four other smaller parties have reached agreement on a "programmatic accord"—a mechanism which allows opposition parties a significant voice in policy-making while still denying the Communists a direct role in government.

The elections due in November, covering a geographically representative sample of some 4m. Italian voters, would constitute the first opportunity since the general election last year for them to pass judgment on the six-party accord, and on rising unemployment and the recent Cabinet reshuffle. This involved the displacement of Sig. Vito Lattanzio as Defence Minister after the escape from a military hospital here of the former German SS officer Herr Herbert Kappler.

The Communists appear anxious to avoid a test at the polls. The party is seen by rank and file supporters to be maintaining the Christian Democrats in office. The answer of the party leadership is that, given present economic difficulties, it would be irresponsible to bring on a government crisis.

Even a small shift to the Christian Democrats and from the Communists—and this is a possibility in constituencies in the depressed south of the country—could result in pressure on the Christian Democrat leaders to move away from even an informal alliance with the Communists. That would be almost certain to cause a political crisis.

An electoral advance by the Communists at the expense of the Christian Democrats would reinforce the arguments of elements in the latter party to the Right of Sig. Andreotti that even tentative cohabitation with Communists can only undermine further the traditional Italian ruling party.

There is something of a consensus emerging from the larger parties that the November elections should be postponed until next year, but they are insisting publicly that the initiative for any such move must come from the Christian Democrats as the governing party.

Conference Board for Europe

BY JOHN WICKS

ZURICH, Sept. 26.

A EUROPEAN affiliate of the New York-based Conference Board is to be established with headquarters in Brussels. It will start operations on October 1, offering to the European business community a programme of research, conferences and information exchange similar to those carired out in the U.S. and Canada.

The Board, a non-profit institution engaged in the study of management practices and economic developments, has been working in the U.S. since 1916 and set up a Canadian affiliate in 1954. Best known for its work on economic trends, the body is financed primarily by annual subscriptions of over 4,000 associates, including more than 300 European companies.

The Brussels operation will be known as the Conference Board in Europe and directed by Mr. G. Clark Thompson, hitherto senior vice-president for international affairs of the parent institution.

Dissident hunger strike plan

By David Satter

MOSCOW, Sept. 26.

THE WIVES of imprisoned dissidents, Dr. Yuri Orlov and Mr. Alexander Ginzburg, said to-day that they will begin a hunger strike on October 4, when the Belgrade conference which will review fulfilment of the humanitarian provisions of the 1975 Helsinki Accords opens.

Mrs. Irina Orlov and Mrs. Arina Ginzburg said they have had no contact with their husbands since the men, leaders of the Moscow-based citizens' group which sought to monitor Soviet fulfilment of the Helsinki agreement, were arrested in February. The women said they consider a hunger strike to be their only way to help their husbands.

The unofficial Helsinki monitoring groups, which collected information on Soviet human rights abuses, now appear all but suppressed.

Ten members of Helsinki groups in Moscow, the Ukraine, Lithuania and Georgia have either been sentenced to long labour camp terms or are in custody awaiting trial. The central Moscow-based group now has only four members, two of whom are in poor health. The group's documents and records have been confiscated in a series of searches.

In recent weeks, the Soviet authorities have reiterated their determination not to tolerate organised opposition, and have taken steps to deprive the dissident Helsinki groups of their most able advisors and members.

Yuri Andropov, the head of the KGB, said in a speech on September 14, marking the centenary of the birth of Felix Dzerzhinsky, first head of the Soviet security police, that dissidents would continue to be punished. He compared them to common criminals who do damage to society, and thus have to be punished in conformity with Soviet law.

Dr. Valentine Turchin, the head of the Soviet branch of Amnesty International and recently the principal Moscow dissident spokesman, this month became the latest prominent Soviet dissident to emigrate under pressure. His decision to leave after over three years without a job came shortly after the arrest of the leader of the Helsinki monitoring group in Lithuania, Viktoras Petkus, last month.

AMERICAN NEWS

McNamara calls for expansion in trade

BY DAVID BELL — WASHINGTON, Sept. 26.

INDUSTRIALISED countries must resist any impulse towards greater protectionism because the developing world urgently needs a further expansion of world trade if it is to sustain the "remarkable" progress of the past 25 years, Mr. Robert McNamara, the president of the World Bank, said to-day.

Addressing the annual meeting of the International Monetary Fund and the World Bank, Mr. McNamara devoted much of his speech to the need for a renewed effort to help the billion people who live in the world's poorest nations and are in increasing danger of being left behind as the economies of more fortunate developing nations continue to improve.

In order to help these countries, he said, it was essential that the Bank have greater capital at its disposal and that the developed nations increase their contributions to the Bank and its affiliates. The question of the size of a new increase in the Bank's capital is being actively discussed here this week and the fact that the Carter administration now looks much more favourably on such an increase than its predecessor government is taken as a very hopeful sign.

However, there is a growing fear within the Bank that the current rather gloomy predictions about the future of the world economy could have a very serious effect on the more fragile of the economies of the developing world. There is also some apprehension that a new recession might exacerbate the debt problems of some of these countries although Mr. McNamara did not refer to this in his speech to-day.

Mr. McNamara disclosed that a recent World Bank study suggests that if the developing countries continue the export policies they have followed in the last 10 years they can nearly triple manufactured exports from $33bn. in 1975 to $94bn. by 1985. Such growth was vital to help the middle income developing nations and would require only "small sacrifices" by the developed world.

Talking to reporters earlier Mr. McNamara said that the Bank does not necessarily oppose the idea of "organised free trade" or what he preferred to call the "orderly expansion of trade" but that very much more attention needed paying to the problem and to the interests of the developing world. He noted in his speech to-day that an increase in exports of developing nations was bound to be offset by an increase in their imports from the developed world which would thus provide a further stimulus to world trade as a whole.

But, in a wide ranging review of the development achievements of the past 25 years, Mr. McNamara said that the most pressing—and the most intractable problem remains that of the very poorest people whether in rural or urban areas. The Bank has begun a $300m. scheme to help bring small-scale labour-intensive industries to these areas, but Mr. McNamara conceded that the obstacles to providing effective aid are so great that it is difficult to see much progress being made quickly.

The World Bank president reiterated the Bank's conviction that although "a few countries may face liquidity problems" the Bank is "even more confident to-day than when we were a year ago that the debt problem is indeed manageable and need not stand in the way of desirable rates of growth for the developing countries."

ANNUAL MEETINGS

Jamaica awaits the verdict

BY CANUTE JAMES IN KINGSTON

THE JAMAICAN economy, which has been in a state of depression for the past 18 months, is now dependent upon the International Monetary Fund (IMF) to help to arrest its gradual slide.

Earlier this year the IMF approved a loan package of $US74m. to an economy bereft of foreign exchange and at the end of October the Fund will present its report on the island's economic prospects. A positive report by the IMF could substantially increase Jamaica's chances of obtaining the large loans it needs from international banking consortia and from friendly governments. If the report is negative, or cautionary, the chances of the economy pulling itself out of the slump will fade.

The problems of Jamaica, which has a population of 2m., are severe. Opponents of Prime Minister Michael Manley say that as he is trying to do too much too quickly for low-income groups and is moving too fast towards socialism. Many wealthy and middle-class Jamaicans have left the country taking their capital with them. Unemployment is severe and tourism has declined.

The Bank of Jamaica's foreign exchange figures for July (the latest available) shows that at the end of that month net reserves (assets less liabilities) stood at minus $J176m. This is an improvement on the end of December figure of minus $J184m., but there is little sign of any dramatic improvement and finance officials suggest that, even with generous help, Jamaica will need another three years before the negative effects of the Government's austerity position can be rectified.

The crisis has also been aggravated by the poor performance of the island's main foreign exchange earners. The sugar industry, coming out of a boom in 1974 when Jamaica was able to get high prices from the EEC and on the world market, will this year earn $J55m.—a 5 per cent. decline below last year's earnings. This year's sugar production was just over 290,000 tons—the lowest output for 30 years.

Tourism, another pillar of the economy, is this year expected to bring $J20m. less than that the $J90m. earned last year. The bauxite industry is the only bright spot. Because of the bauxite production levy introduced in 1974, the Government will earn about $J200m., compared with $J160m. last year.

Unemployment has risen from 23 per cent. to an unofficial 27 per cent. in the past 18 months. This has been partly the result of the Government's austere import restrictions. Designed to curb the outflow of foreign exchange, the restrictions have also reduced the imports of raw materials for manufacturing enterprises. A number have had to close as a result.

However, trade figures for the first half of this year show an improvement over last year. Between January and June, exports totalled $J342.3m., which is 30 per cent. more than during the corresponding period last year. Total imports for the same period this year were $J345.9m., a 15.9 per cent. reduction below the January-June period last year.

This narrowing of the trade gap has been brought about by the increased competitiveness of some exports because of the two-tier exchange rate (effectively a 19-20 per cent. devaluation) introduced at the end of April and by the $J750m. ceiling imposed by the Government on 1977 imports.

The Jamaican Government has also not relied solely on the IMF for assistance. Venezuela, a growing industrial and commercial partner, has chipped in with $US20m. Hungary has opened a line of credit of $US5m. of which half has already been used for the purchase of drugs. The United States has provided $US12m. under its food aid programme.

Under negotiation are a possible $US45m. from oil-rich Caribbean Community partner Trinidad and Tobago, $US5m. from the Netherlands, $US15m. from the U.S. for the island's construction industry, and a loan of undisclosed size from the World Bank to be used in agriculture.

Finance officials here have indicated their belief that the slide of the economy has been halted, creating the possibility of economic recovery. It is difficult, however to share this optimism. The period of limbo until the IMF's end-of-October report is likely to be a long headache for the island's economic planners, despite their show of guarded confidence.

The stark economic fact is that the foreign exchange is needed to give the same leeway and the flexibility to allow a revision of the austerity programmes, to ease import restrictions and to get the economy moving again.

Campaign in Senate for canal pact starts

WASHINGTON, Sept. 26.

THE CARTER Administration to-day opened its campaign for Senate ratification of the new Panama Canal treaties, asserting that the U.S. response would help set the tone for relations with the rest of the world.

Testifying before the Senate Foreign Relations Committee, Mr. Cyrus Vance, the Secretary of State, said U.S. interests and not foreign pressures had led to the signing of the two treaties, which would hand over control of a neutral canal to Panama by the end of the century.

The committee is due to discuss the treaties until mid-October but is not expected to vote on them until next year.

The Administration faces an uphill battle to overcome public opposition to the treaties. The Senate Democratic Leader, Mr. Robert Byrd, said at the week-end that if a vote were taken now it could not get the two-thirds Senate majority needed for ratification.

Mr. Vance told the committee to-day that rejection of the treaties would shatter U.S. relations with Panama, damage American standing in Latin America, and jeopardise the canal's security.

"But that is not the major reason for supporting them," Mr. Vance said. "They deserve support because they are in our interest as well as the interest of Panama."

He said the pacts reduced rather than increased the chances of Panama nationalising the canal.

Among those invited to testify to the committee are former Secretary of State Henry Kissinger, a strong supporter of the treaties, and former California Governor Ronald Reagan, a leading opponent.

But committee aides said to-day that former President Ford, who has also voiced support for the treaties, had declined to testify—a blow to the ratification campaign. The reason for Mr. Ford's decision was not known.

Reuter

THE UNITED NATIONS

Britain to ask Security Council for a debate over Rhodesia

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

BRITAIN HAS asked for a meeting of the UN Security Council to discuss the next stage in the Anglo-U.S. initiative on Rhodesia.

The meeting, which is likely to take place on Wednesday or Thursday, is seen by Britain and the U.S. as having the limited task of mandating Dr. Kurt Waldheim, the UN Secretary-General, to appoint a UN representative to work alongside Lord Carver, the British Resident Commissioner designate for Rhodesia, in negotiations for a ceasefire in the guerilla war.

Last night, following consultations with the frontline African states, British officials were hopeful that the debate could be confined to this limited objective.

The Presidents of Zambia, Tanzania, Botswana and Mozambique met in Maputo, the Mozambique capital, late last week, and though they have stated reservations about the Rhodesian plan, it is understood that they have agreed to co-operate with the U.K. and the U.S. at this stage.

However, the possibility that other members of the Security Council will want to discuss the whole Rhodesian plan, which involves direct British rule and a UN peace-keeping force during a transitional period, is not being ruled out.

Intensive lobbying was yesterday taking place in New York to keep the debate in as low a key as possible.

The hope is apparently that despite the presence in New York of many Foreign Ministers, from Africa and elsewhere, the main submission will be made not by Ministers but by Ambassadors.

For this reason, Dr. David Owen, the British Foreign Secretary, may decide to make his major statement on Rhodesia in the General Assembly, which he is due to address to-day, although if he feels the Security Council debate is going badly, he could change his mind.

The main concern of the U.K. and U.S. governments at this stage appears to be to head off any wide-ranging debate on Rhodesia which could, for example, include the call for an extension of sanctions to South Africa.

Tony Hawkins reports from Salisbury: A Rhodesian military spokesman yesterday denied Mozambique's allegations that Rhodesian troops had invaded the Mapai area again in the last week. The allegation was dismissed as "untrue" as were Zambian allegations that the black Rhodesian saboteurs are operating inside that country. This claim was "fictitious" a spokesman said.

In Salisbury, Bishop Muzorewa's United African National Council to-day welcomed what it called Mr. Smith's "alleged acceptance" of one-man-one-vote, and called upon him to implement universal franchise immediately. The UANC also welcomed Mr. Smith's willingness to consider the disbanding of the Selous Scouts unit of the Rhodesian defence forces, saying that this too should be done immediately as the army continued to stand in the way of a settlement.

Federal mediation in dock pay talks

By John Wyles — NEW YORK, Sept. 26.

FEDERAL mediators have intervened in the dead-locked pay talks covering dockers in six large east coast U.S. ports in a bid to avert a potentially damaging strike which is due to start with the expiry of the current agreement at midnight on Friday.

With the dead-line approaching, port operators, represented by the Council of North Atlantic Shipping Associations (Conasa), are bracing themselves for a stoppage which has become something of a triennial ritual. The negotiations in 1974 were the only ones since 1945 which yielded an agreement without a strike.

Mr. Wayne Horvitz, a director of the Federal Mediation and Conciliation Service, faces a double challenge in Bal Harbour, Florida, where the negotiations have been taking place. During the next three days, he and his staff will seek to encourage the employers from the ports of New York, Boston, Providence, Philadelphia, Baltimore and Hampton Roads to reconcile their differences in the interests of producing a combined response to the demands of the International Longshoremen's Association (ILA) on job security.

The issue has bedevilled the talks for the last few weeks, with the ILA pressing for inclusion in the master contract of a common guaranteed annual income agreement. In effect, this would provide dockers with a financial cushion against a reduction of work because of seasonal factors or the increasing use of labour-saving containers.

But the other five ports have rejected the idea. The closest all six ports have come to a *common position on job security* was an offer put to the union on Thursday which would commit container shipping companies to making good any short-fall in benefits provided by employers, such as sickness payments and pensions, brought about by loss of work.

In many ways, the dispute is reminiscent of the series of crises which have afflicted British ports over the past 10 years through dockers demanding greater job protection *against the effects of containers.* The ILA's intransigence over pay and job security provisions has been provoked to a large extent by a National Labour Relations Board ruling two years ago that an agreement to allow dockers to "stuff and strip" containers within the port area was illegal, if the cargo was bound for a destination within 50 miles of the port.

If the current negotiations break down, the Carter administration would have to decide *whether to invoke the Taft-*Hartley Act which would postpone a stoppage for 80 days. In 1971, the Nixon administration used the legislation after a port strike had lasted 56 days.

North-South talks get priority

BY OUR OWN CORRESPONDENT — UNITED NATIONS, Sept. 26.

THE NEW Foreign Minister of Venezuela, Dr. Simon Consalvi, told the United Nations General Assembly to-day that one of its most important items for the three-month session, now almost a week old, was to continue the North-South dialogue on world economic problems.

The previous assembly adjourned last week in disarray after the developing and industrialised countries were unable to agree on a compromise resolution on the subject.

Referring to the Paris conference, of which Venezuela was a co-chairman with Canada, Dr. Consalvi said the negotiators had not spent their time in vain.

"To-day the conviction is gaining ground that the challenge mankind faces must be in accordance with the terms and objectives stated by the Third World," he said. "We, the developing countries may have a variety of interests, but we do have essentially common objectives. In this fundamental unity lies the negotiating power of the Third World."

Dr. Consalvi appeared to be signalling that the developing nations, which make up well over 100 of the UN's 149 member states, will continue a hard line in discussions with the industrialised West in their quest for the so-called new international economic order.

The Venezuelan delegate was one of a number of Foreign Ministers to address the General Assembly to-day on the first day of the annual policy debate, during the two weeks of which 144 states are to be heard from, several of them represented by their Presidents or Prime Ministers. President Carter speaks on October 4 and will spend the following day also at the U.N.

It is traditional for Brazil to be the opening speaker, and its Secretary of State, Dr. Antonio Azeredo da Silveira, took the opportunity to deal with the human rights question, which has put the U.S. somewhat at odds with Brazil.

No country or group of countries had the authority to judge others on "so serious and intimate questions of national life," he said, in a clear hint to the U.S. to keep its hands off. Mr. Carter is to visit both Brazil and Venezuela later this year.

THE OLYMPIC GAMES

Los Angeles selected as U.S. nomination for 1984

BY JOHN WYLES IN NEW YORK

THOUSANDS of New Yorkers breathed a sigh of relief yesterday morning at the news that the city had failed in its bid to win the U.S. Olympic Committee's nomination for the site of the 1984 Games.

The committee's verdict went by 55 votes to 39 in favour of Los Angeles, after hearing presentations from both cities which pitted against each other two men whose political ambitions are believed to go as high as the White House—Governor Jerry Brown, of California, and Governor Hugh Carey, of New York State.

New York's fishing for the Olympics has never had much popular support, and had run into increasing media opposition as more details emerged of the financial burden the 1976 games imposed on Montreal, a burden that city will be paying off for many years. Many people thought that running the games in 1984 might not only return the city *to the brink of bankruptcy, but* also jeopardise the state's finances.

But Governor Carey was blandly confident at the Olympic Committee's meeting in Colorado Springs yesterday that the projected deficit of $252.5m. on an expenditure of $533.5m would be covered by lotteries and state support.

Los Angeles, on the other hand, expected spending of only $183.5m. on the Games and declared that it had no intention of going in the red. Much of the difference in spending was accounted for by New York's need to spend $168.5m. on the construction and renovation of Shea Stadium, the home of the Mets baseball team, and more than $90m. on building a rowing course, a swimming stadium, a cycling velodrome and other facilities.

In arguing Los Angeles' case, Governor Brown strongly hinted that New York's pitch was the personal fad of Mr. Carey, whereas Los Angeles' ability to deliver an Olympic Games in 1984 was "not dependent on any given politician of a state, or region whose tenure is limited and unpredictable."

While Los Angeles can almost certainly expect to be staging the 1984 games because of the absence of any competition from elsewhere in the world, the New York delegation was *heading* home ready to make Mr. Donald Grant, the owner of the Mets baseball team, the scapegoat for its failure. Officials accused Mr. Grant of privately informing the Olympic Committee's members that he would refuse to commit Shea Stadium for the games. Mr. Grant is reported to have said that if the city got the Olympics it would lose its ball club.

OVERSEAS NEWS

SOUTH LEBANON

Cease-fire takes effect

BY IHSAN HIJAZI — BEIRUT, Sept. 26.

A CEASEFIRE agreement, reached with the help of intensive U.S. mediation, began to take effect in southern Lebanon to-day, ending nine days of fighting. It officially came into force at 10 a.m. and a senior Lebanese official later said that all sides were observing it.

About 1,500 Lebanese regular troops are standing by to move into the area along the Israeli border to take the place of the Palestinian guerillas who are called on to withdraw at least ten miles from the frontier. The men, members of a newly-created Muslim and Christian force, equipped with armoured personnel carriers, may take up their position to-morrow, according to informed sources.

Palestine Liberation Organisation leader Yassir Arafat was to-day meeting Palestinian commandos to discuss the mechanics of the ceasefire. There is dissension inside the Palestinian ranks on the extent of the guerilla pullback, and one group, the Popular Front for the Liberation of Palestine, has said it rejects it altogether.

Under the terms of the ceasefire it is understood that Israeli forces will retreat from the positions just across the Lebanese border which they occupied last week, in return for a total Palestinian withdrawal from the border.

[The agreement, which is both oral and written, provides for the withdrawal of all guerilla forces liable to endanger Israeli settlements from the vicinity of the Israeli-Lebanese border, matched by the *withdrawal of Israeli forces from* their positions inside Lebanon, David Daniel writes from Tel Aviv. The exact extent of the Palestinian withdrawal has not been spelled out. Last night and this morning Israeli infantry with armoured personnel carriers as well as tanks were reported to have crossed back into Israel via the border crossing point at Metullah.

[Israel insisted in the negotiations that the safety of the Christian inhabitants of Southern Lebanon be assured. This is to be effected by the entry of regular Lebanese forces into the area. It also provides that the border crossing points remain open as long as the sides continue to favour exchange of goods and movement of people in both directions.]

Initially the Palestinians agreed to withdraw only 2.5 miles from the border but the Israelis insisted that they fall back north of the Litani River at once, according to informed sources.

A spokesman for the marxist PFLP, which has about 5,000 of a *total Palestinian force of* 5,000 in the border area, rejected the cease-fire and said it would not abandon its present positions in the south.

Syria was reported to be putting pressure on the Palestinians to accept the cease-fire terms. The cease-fire was negotiated through the U.S. embassies in Beirut, Damascus and Tel Aviv.

The Speaker of the Lebanese assembly, Mr. Kamel Assad, affirmed to-day that the Lebanese had gone into effect. He said this will pave the way for implementation of the Shtaura accord," he said, referring to an agreement reached two months ago by Syria.

Right-wing Laotian rebels battle army near capital

BANGKOK, Sept. 26.

LAOTIAN GOVERNMENT troops and right-wing rebels have been engaged in heavy fighting just outside the country's capital at Vientiane, military sources said here to-day.

They quoted Laotian refugees entering Thailand as saying that Government forces had been reinforced in an attempt to recapture Huay Hom village about 10 miles west of Vientiane late last week. The refugees said that the rebels have held the town since Thursday.

The sources added that the action appeared to be one of the closest to Vientiane by anti-Government rebels in many months. They said that they could not confirm Thai newspaper reports that Laotian rebels had suffered heavy casualties in the fighting.

About 200 rebels were involved in the takeover of Huay Hom, according to the Thai newspaper reports, which said 85 refugees had crossed the Mekong River border into the Chiang Mai district of Thailand in two separate groups after fighting erupted.

Reuter

David Housego adds: Vietnam has 40,000-50,000 troops in Laos. This effectively rules out any serious challenge to the Communist Pathet Lao regime by rebel forces.

The two countries also signed in July a 25-year treaty of friendship. This apparently was at the instigation of the Vietnamese who have been increasingly worried at the deteriorating economic and security situation in Laos. Exchanges of high level delegations between the two countries since have reinforced the sense of Vietnam's concern not to let the situation get out of control.

Malaysia coalition rifts

BY WONG SULONG — KUALA LUMPUR, Sept. 26.

THE POLITICAL infighting, which occurred in several Malaysian states between personalities and parties of the ruling coalition National Front during the past weeks, to-day reached a climax with the sacking of one Chief Minister, while the fate of another remains in the balance.

The Chief Minister of the strategic, and heavily *Communist-infiltrated Perak State,* Tan Sri Ghazali Jawi, will resign at the end of the month because of irreconcilable differences with the Sultan of the state—particularly regarding the distribution of land and timber concessions.

In another development, the supreme council of the party Islam, a partner in the National Front which controls the east coast State of Kelantan, is meeting here this evening to discuss the fate of the chief minister, Datuk Nasir Mohamed.

Twenty of the 36 members of the State Assembly have demanded the resignation of Datuk Nasir, who in turn, has threatened to dissolve the assembly for fresh elections.

The UMNO party, the dominant partner in the National Front, is quietly encouraging the quarrel within the party Islam, hoping to gain from the split. The Front, which is a grand coalition of 11 political parties covering a wide spectrum of political ideologies, is also facing splits among its ranks in the States of Malacca, Sabah, Sarawak, Penang, and Selangor.

So far, the in-fighting is confined mainly to the States, and there is little danger to the leadership of the Prime Minister, Datuk Hussein Onn.

Australia capital outflow

BY KENNETH RANDALL — CANBERRA, Sept. 26.

THE LATEST figures from the Reserve Bank of Australia point to a still substantial, though reduced, outflow of capital in the week which ended last Wednesday as the speculative pressure on the Australian dollar continues.

The Reserve Bank's statement *shows official reserves up during* the week (to $A2,468m.) because of the addition of the proceeds of the Government's recent $US250m. loan but, after discounting for this, the reserves were down by $A71m. In the previous two weeks there was an apparent outflow of $A209m.

The Government has declared that it will borrow whatever is necessary to defend the exchange rate. Strong rumours have suggested that a borrowing programme of up to $A2bn. is being drawn up. The Government has already made preliminary approaches to the Japanese Government to raise some of the money on the Tokyo market.

The defence of the dollar is becoming a more and more heated political issue, with the Prime Minister repeating to-day his charges that the Opposition was deliberately adding to speculative pressures for political reasons.

But the Government has been seriously embarrassed by the leakage to a national newspaper yesterday of a confidential forecast prepared by the Reserve Bank, anticipating a current account balance of payments deficit this year of $A1,730m. despite a trade surplus of about $A1,500m.

The forecast, published in The National Times is also decidedly gloomy about prospects for reducing unemployment and inflation, in contrast *with the much more optimistic* line the Government has been taking in the past few weeks.

Chinese emphasise banking ro[le]

BY COLINA MacDOUGALL

LI HSIEN-NIEN, a Vice-Premier, fourth in the political hierarchy of China and a former Finance Minister, has told a meeting of the Chinese central bank, the People's Bank of China, that it is essential for it to strengthen its institutional and financial management so that it can play a full role in the rapid development of the economy.

This public emphasis given to the bank's role by an important official is strong indicative of the importance currently attributed to economic expansion, sound planning, and careful financial management. While the People's Bank, as virtually the only financial institution in China, plays a crucial role in the management of the economy, it normally operates in almost complete official silence.

There seems little doubt now that the Chinese are about to plunge into considerable economic expansion. Vice-Premier Teng Hsiao-ping, third in the hierarchy, told a West German delegation at the week-end that government priorities were first the economy, then scientific development, and third the modernisation of the army.

At this critical moment in Chinese planning, an important British delegation, interested in *selling capital equipment,* was due to leave to-day for 21 weeks of talks in China. While Chinese reserves of foreign exchange are believed to be a problem, a mission from the trade section of the People's Bank, the Bank of China spent a month in London in discussions with foreign banks during the summer.

While it is thought that the Chinese leadership accepts the need for most effort to go into the civilian economy for the next year or two, the third priority mentioned by Teng, Army modernisation, was given prominence yesterday by the Chinese newspaper Liberation Army Daily. In a forceful editorial, it said that to bring land and naval forces up to match those of China's enemies was a task which "brooks no delay," and that China would "passively receive the blows," if it let time slip through its fingers. This would remain empty talk ...

... follows immediately the ... a high-level Chinese ... delegation to France.

It may be premature to ... final economic decisions ... ever. The People's Bank ... to have been conducting a ... operation after the financial ... fusion of last year, wh... barely be concluded. ... ing of bankers, at which ... Premier Li spoke, attacked ... Gang of Four, Chiang ... the widow of Chairman Mao ... her colleagues, for interfering ... the work of the bank in ... ing of money, the management of ... credit, accounts, and ... exchange, and in ... regulations.

This is re-inforced ... from other sectors. The ... Daily newspaper, the ... Party organ, last week ... a great effort to fulfil ... nomic plan in the last ... this year, noting particularly ... fuels and raw materials ... short supply, and that ... growth of electrical power ... cussion of economic ...

هكذا من الأصل

tnam gets $60m. imports loan

RAMSEY

TOKYO, Sept. 26.

ters have signed agreement with brings the total een the two 0m., to finance rts of steel and achinery from e the first such since the reuni- am.

d loan papers Sunday in Hanoi, by the Central m, according to in Tokyo. The reported to have ntageous terms, e-and-a-half year n the five-year

Tokyo, which is- oans, has refused interest rate the eign Trade Bank ance. A spokes- however, that lures have been ting a premium r rates.

Observers expect that the premium in this case is extremely low and is meant more as a goodwill gesture than anything else, until the Japanese Government agrees to put Vietnam on its list of recipients of "soft" loans and export credit *from government agencies.*

Negotiations on loans and credit, meanwhile, are tied in with talks on resolving the problem of debts owed to the Japanese government by the South Vietnamese Government, which Hanoi has *so far refused* to take over. According to Japan's Foreign Ministry, those debts total some $60m.

The loans will go partly to finance Vietnamese steel imports. In July, Japanese steelmakers concluded a contract to *deliver 80,000 tonnes of steel* to Vietnam between October and December. Financing will be through a syndicated Deutschmark loan by 15 Japanese banks, worth DM73.5m., which means that the *original contract* was denominated (at Vietnam's request) in German rather than *Japanese currency.*

According to banking sources, moreover, the delivery period for steel will be stretched into next spring unless there is a breakthrough in the debt-loan negotiations, which might let Vietnam contract to buy more steel.

The loans will also go to finance agricultural machinery purchases. Vietnam recently concluded *an agreement with* Yanmar Diesel to import agricultural machinery and marine engines, to be entirely financed by the $30m. syndicated loan from five Japanese banks (Bank of Tokyo, Sumitomo, Sanwa, Daiwa and Fuji).

AP-DJ reports from Tokyo: Two Japanese commercial banks and two securities companies will make a 19.5 per cent. capital investment in establishing a South Korean merchant bank *expected to be opened October 20* in Seoul, bank officials said today.

The total capital in the first year of the new South Korean bank, Saehan Merchant Banking Corporation (SMBC), will be about 6bn. won (about $12.3m.). The Japanese capital share of 19.5 per cent. will break down to 7.5 per cent. *by the Industrial* Bank of Japan, 7.5 per cent. by the Long-Term Credit Bank of Japan, 2.25 per cent. by Nomura Securities and 2.25 per cent. by the Yamaichi Securities.

Hill Samuel of London, will hold 20.5 per cent. of the equity *interests, and the Banque Arabe* et International d'Investissement 5 per cent. The rest will be held by the Korea Development Bank (35 per cent.), Korea Exchange Bank (10 per cent.) and two Korean securities companies, 5

l Motor to spend $18m. in Venezuela

Company will m. next year for its facilities in cording to Mr. l. Joseph Mann racas.

who made the after a meeting ent of Venezuela, dres Perez, also m was interested bility of using le aluminium for s to be manu- U.S. in the years

now carrying out uminium projects e the country one *of the largest producers* in the world.

The Ford chairman, who is *making a brief visit to this South* American oil exporter, added that Venezuela's auto market presently accounts for 65 per cent. of the Andean Pact (Bolivia, Colombia, Ecuador, Peru, Venezuela), and is showing an annual growth rate of more *than 12 per cent. in the automotive sector.*

Last year, Venezuelan auto assemblers sold a record 98,000 passenger vehicles.

Steel plant

The Gulf Emirate of Sharjah will build a $15.4m. steel build*ing components factory under a* joint venture agreement with the Australian Industrial Resources *Company, the Middle East Econo*mic Survey said. The two sides have formed a joint company to be known as Steel Services Centers, which will import steel, in sheet coil and produce corrugated iron, steel and aluminium wall and roof cladding, purlins and sheet piling.

Swiss carriages

Jamaica Railway Corporation has placed an order with Schindler Waggon AG, of Pratteln, Switzerland, for delivery of eight second-class and four first-class passenger carriages for use on *the Kingston-Montego Bay route.* The order, gained in the face of keen competition, is said to have been awarded in view of the low weight of the Swiss carriages.

Yugoslav order

The Swiss consortium of *Brown Boveri (Baden) and* Concast AG (Zurich) has been awarded an order by the Yugoslav steelworks Jadranska Zeljezara, of Split, to boost plant capacity from 50,000 to 120,000 annual tons. The Split works was built by the consortium to *Brown Boveri plans in the early* 1970s. The new equipment, to come into use at the start of 1979.

Hong Kong turns round to surplus in August

By Philip Bowring

HONG KONG, Sept. 26.

IN AUGUST Hong Kong recorded its first visible trade surplus of the year—HK$398m. This was the second successive month of good trade figures—in July the deficit was only HK$27m.—but the deficit for the eight months to date still stands at HK$2,680m., double *that for the same period last* year.

In a recent speech, the Financial Secretary said that though third quarter trade balance would be good, *there would be* a deterioration again in the final quarter. The August result was due more to a drop in imports than an expansion of exports.

For the eight months of 1977 exports (including re-exports) *have risen only* 9 per cent. in money terms to HK$28,750m. and imports by 13 per cent. to HK$31,400m.

Reuter adds: Hong Kong's textile exports to the EEC could be cut back by between HK$450m. and HK$1bn. a year if the EEC restricts 1978 quotas to 1976 performance levels, industry sources said.

In 1976, Hong Kong exported some 30 per cent. of its textiles to the EEC, while all its textile exports accounted for 50 to 55 per cent. of total Hong Kong domestic exports worth HK$32.63bn.

***The 1978 quota levels will* fall below those of 1976 because in 1976 Hong Kong did not export to the limit of restrictions, using between 80 and 85 per cent. of the quota levels for all restricted products, industry sources said.**

Swedish dilemma on pulp prices

BY WILLIAM DULLFORCE

STOCKHOLM, Sept. 26.

THE 10 per cent. devaluation of the Krona at the end of August and the reduction in pulpwood prices currently being negotiated brought some relief to the Swedish pulp mills but did not leave them with much scope for reducing prices to their West European customers, Mr. Bo Wergens, director of the Swedish Pulp and Paper Mills' *Association, writes in the latest* members' bulletin of the Federation of Swedish Industries.

He attempts to clarify the controversy aroused by some mills' *refusal to follow Government* advice and reduce their prices after the devaluation.

The pulp prices were cut before devaluation, when contracts were made for third quarter sales, in order to compete with North American and other suppliers, who have been *steadily* eating away at the Swedes' market shares. These cuts left the *price for unbleached sulphate* pulp 20 per cent. lower than the 1975 average price, with birch and sulphite pulp 10-15 per cent. lower, and Sweden's best-selling long-fibre sulphate pulp 7-8 per cent. lower. At these prices the mills are not even covering costs on some products, according to Mrs. Wergens.

Pulp demand in Western *Europe is still lower* than in 1973. World production capacity has since expanded and the Swedish, Finnish and Canadian mills hold large, unsold stocks. Moreover, no real improvement in demand can be foreseen during the first half of next year.

The Swedish pulp and paper mills stand to make a combined loss this year of Kr.1.5-2bn. £175-235m.), in Mr. Wergens' estimate. Under these circumstances, he comments, each mill *must decide for itself how to* minimise losses and optimise income—whether by maintaining present prices or *by adopting* a more flexible approach.

In the last few years the value of the krona had appreciated by 15 per cent. or more against the American and Canadian dollars, giving the American mills a substantial competitive edge.

The Swedish mills' position had been further undermined by the dramatic increase in their costs. *Mr. Wergens calculates that the* cost of producing unbleached sulphate pulp—excluding capital costs—have risen by roughly 60 per cent. in the Swedish mills between the end of 1974 and the second half of this year.

The forestry industry accounted for Kr.17bn. of Sweden's gross export income of Kr.80bn. last year. Even in such a poor year the mills had net foreign currency earnings of Kr.14bn., more than any other *branch of Swedish industry.*

Sodra, the Southern Swedish Forestry Owners' concern, an*nounced to-day that it was cutting* pulpwood prices by an average of 13 per cent. The new prices could not be justified, if forest exploitation was to remain profitable, Sodra stated, but the mills' difficulties in selling pulp and sawn goods motivated a divergence from the forest owners' long-term price policy.

The price concession could be *only "a short parenthesis,"* as the profitability of the forests was essential, if sufficient raw material was to be made available for the forest-based industry.

Bank warns on Third World deficits

The recent trend towards reduction in current account deficits for less developed countries which do not produce their own oil is likely to be reversed shortly, *warns the Amex Bank* Review published yesterday.

Amex puts the temporary improvement down to deflationary policies in these countries and improved growth in Organisation for Economic Co-operation and Development countries but forecasts *larger* deficits in 1978-79 on present policies.

"The International Monetary Fund is being looked to as the *agent of orthodoxy,"* says the Amex Review, "and lower LDC growth rates are being widely demanded. But the traditional orthodoxy should not be applied too far."

The review includes articles suggesting that further foreign borrowing *will* be *"wholly damaging"* if the goods produced by less developed countries are limited by import quotas in the developed world.

The General Agreement on Tariffs and Trade and the IMF have both warned of the growing trend to trade *protection* although it is difficult to evaluate in dollar terms the supporting assertion of creeping protectionism.

Swiss Bank opens office

The Handelsbank NW of Zurich, a *privately-owned* commercial bank based in Switzerland, has opened a representative office in Hong Kong according to the Hong Kong Trade Development Council.

According to Mr. Jean Brandenburg, who heads the Hong Kong office, the bank has total assets of £283.25m. as at the end of the financial year ending June 1977. Handelsbank *was founded in 1930 and is* affiliated with the National Westminster Bank (which holds 66 per cent. of the equity capital), Nestles, Dow Chemical, Swiss Volksbank and Girocentrale Vienna.

iine tool safety row

H. GOODING, INDUSTRIAL CORRESPONDENT

CHINE tool manu- becoming increas- about the spread which makes a er the principal ty when there is

the design of a night play a part . But they object ing tendency for esponsibility for dumped on the

in the U.S., for threatened the of some machine

time the machine ppalled at the lack ion between the in industrialised the way the testing procedures are sometimes being used as effective import barriers.

So CECIMO (European Com*mittee for Co-operation of* the Machine Tool Industries) has put forward a proposed "product liability code."

This suggests that:

The various national test institutes should unify as much as possible testing rules and procedures so that they will not raise costs or create trade barriers.

The test institutes should conclude conventions to give mutual recognition to their test results.

Testing and safety rules should be so flexible that they will not become an obstacle to technical progress and that they can be adapted to new developments in metal working.

New Zealand duty move

BY KENNETH RANDALL

CANBERRA, Sept. 26.

NEW ZEALAND is expected this week to announce substantial *reductions in the rates of import* duty on clothing and textiles from Australia. The decision is to be confirmed during talks under the New Zealand-Australia Free Trade Agreement (NAFTA) which began in Wellington today.

The present 34 per cent. New Zealand duty is to be reduced to the Australian level of 10 per cent.

In return, Australia is offering a six-month extension from next February of the arrangement whereby New Zealand retains a special national quota for her clothing and textile exports to *Australia.*

If this were lost, she would be forced into the global quota pool and into direct competition with low-cost Asian producers such as Taiwan, Hong Kong and South Korea.

The broad outline of the deal was agreed last May when Australia created a New Zealand quota equivalent to the previous 12 months' level of exports, which had risen at such a rate that they were causing serious market disruption, according to the Australian industry.

There were also claims that the greater part of the expansion was attributable to the re-export of Asian-made goods with mini*mal, if any, reprocessing* within New Zealand.

The executive director of the Australian Confederation of Apparel Manufacturers, Mr. Ray Aitchison, said to-day that the new arrangements preserved New Zealand's market and allowed for *expansion* by Australia.

East European countries insist on deals, ADRIAN DICKS looks at the problems they can create

ding floor space E. Europe trade

BONN, Sept. 26.

n machine shop of iemag at Dahl- one of the world's ers of heavy rolling ent cuts, bores and t steel castings into needs for its mas- tions, it comes as a surprise to find grey-painted lathe st of one wall comes oviet Union. A few tands an automatic l cutting machine t Germany.

r Viehmann, the pro- ager of the plant, is nding floor space for large East European ls, and to trying to good use. "They are but they are not ough for the kind of we need to achieve plains.

does Schloemann- the East European ls at all? They are the company is find- obliged to accept as r the massive new taking in from the n and other Comecon

lso illustrate the at West German com- Schloemann-Siemag adjust to what seems manent shift in their ay from the Western d countries and to- Communist states *and* World.

ortion

nn-Siemag, a 51 per d *subsidiary* of Gute- uette, is unusual even cialised West German g companies for ex- ll over 90 per cent. of ion.

re has risen in propor- he deepening of the he world steel industry ession which, at least eel producing nations st, the company does to lift before the mid-

npany reckons it has y to keep busy and to offs among a skilled *workforce* (for whom he formerly family-run often go back three or rations).

y sources of work have n the determination of et economy customers, such as the Russians, to update their steel-making capacity, come what may, and of developing *nations to endow themselves* with new steel industries of their own, regardless of daunting overcapacity in the world.

Besides having to accept barter deals involving not only machine tools but (in the case of other companies on occasion) sometimes oil and other goods, there is growing concern at the propor*tion of contracts that the new* buyers insist on fulfilling themselves.

Orders

Herrgerhard Nehlsen, a director of Schloemann-Siemag, believes this proportion can be *as high as 50 per cent.* of a total project without compromising either the German company's profit or endangering *the* reputation for quality with which is underwrites the eventual success of the whole.

In the case of rolling mills, this means that ancillary plant and facilities can be readily made by, say, Soviet or Brazilian subcontractors under Schloemann-Siemag supervision without up*setting the German company's* own high-technology contribution —the rolling mill and control equipment.

Such has been the case of several *large orders, including* the big five-stand tandem cold-rolling mill currently being disassembled for shipment to the USSR where it will turn out 2.5m tons a year.

Such will probably also be the case with the giant Kursk steel works complex, for which Schloemann-Siemag expects to receive rolling mill orders in the middle of next year.

Yet what the German companies involved in *this* enormous complex of steel-making and ancillary plant may not all have come to terms with yet is the cost in terms of subcontracting away probably *an even higher* proportion of the total value of the deal—to lower-cost Soviet enterprises—and of accepting still more Russian machine tools in return.

They are not unaware of the *precedent of the* motor industry in wondering how far this two-way street, so convenient to the East European purchasers as a way of saving foreign exchange, will *damage their* own position in the home market.

HOME NEWS

CBI warns against hasty reflation

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THERE SHOULD be clear signs that inflation was under control before steps were taken to reflate the economy, Mr. John Methven, director-general of the Confederation of British Industry, said yesterday.

Without actually referring to reports from Washington that the Government will introduce a package of reflationary measures in the autumn with the approval of the IMF, Mr. Methven said that the Chancellor should not repeat the mistakes of successive governments by reflating too soon.

The signs so far were that the unions were not moderating their wage demands in such a way as to make the Government's pay policy stick, and, if this went on, inflation would again race ahead.

One measure which was needed was a reduction in direct taxation at all income levels.

Speaking at the Food Manufacturers' Federation's conference, where Mr. Robert Harrison, head of international research and education at the Transport and General Workers' Union, had earlier called for a sustained reflation of the economy, Mr. Methven said that "again and again" Britain had moved forward too early. "This time we must be sure that inflation is under control before we start to reflate."

The main responsibility for ensuring that the Government's 10 per cent. increase in earnings target held lay with the Government, he said.

"If the Government fails to observe its own policy in the public sector, then the ability of trade and industry to exert pay restraint will be totally undermined," he said.

The claims now being submitted by the unions as monitored by the CBI's data bank were, he said, "ridiculously high," averaging between 10 and 20 per cent. They showed no signs of moderation, and, if the unions tried to enforce them, there was every prospect of even greater unemployment combined with galloping inflation, with the strong scrambling to the top of the heap, at the expense of the old and the weak.

What was needed, he said, were policies based on five objectives. Inflation should be brought under control and in the medium term the system of pay determination should be reformed.

At the same time, corporate profitability must be restored, and cuts in taxation should be made to restore incentives at all income levels. Finally, he said, rejecting Mr. Harrison's arguments, there should be a wholesale retreat of Government intervention in industry. North Sea oil revenues, for example, should be used to cut direct taxes, rather than finance Government interference in industry.

Earlier, Mr. Derrick Hornby, president of the federation had forecast that the rate of inflation on processed foods would not fall below 15 per cent. this year, in spite of the drop in raw-material prices.

A degree of caution needed to be exercised about reports of bumper harvests. Many food manufacturers bought ahead on contract and therefore were not getting full benefit of the lower fresh-food prices now available in the shops.

Moreover, the quality of the soft wheat harvest was not good, and much of it would have to be made into animal feed, rather than food for human consumption. In the circumstances, he said, "we must not get too euphoric about the harvest."

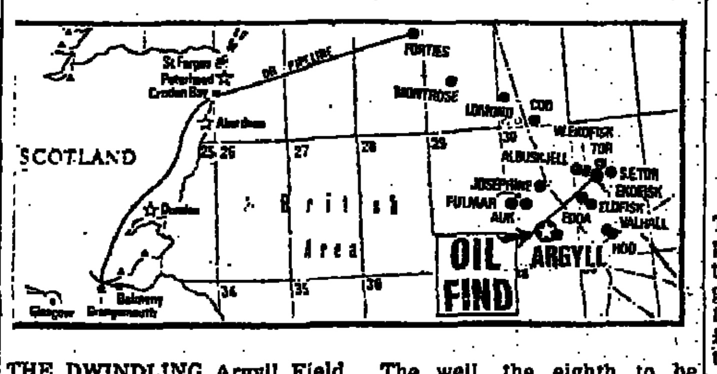
Opening the conference, Mr. Hornby called for fundamental changes in the EEC's Common Agricultural Policy, while defending the basic principles behind Britain's membership of the Community. What was needed within the EEC was a policy for food, rather than, as now, merely a policy for agriculture designed more to protect the interests of farmers than to reflect the demands of consumers.

The CAP, as it now operated, could not provide an efficient and equitable framework within which either farmers or food manufacturers could expand production. It was vital that agricultural production should be matched more closely to demand.

Any company which produced more than the market would bear quickly went out of business, yet Europe's farmers had produced 1m. tonnes of skimmed-milk powder, 2m. tonnes of sugar, and hundreds of thousands of tonnes of butter surplus to consumer requirements. This reflected the extent to which a high degree of protection for EEC producers had replaced the demands of the market as the factor determining the level of production.

Argyll find brings new lease of life

BY RAY DAFTER, ENERGY CORRESPONDENT



THE DWINDLING Argyll Field in the North Sea has been given a new lease of life: a new exploration well has struck oil.

Hamilton Brothers, operators of the field, said that the well would be linked with the Argyll production system as soon as weather permitted.

Oil was tested at a rate of 5,000 barrels a day. It will give a welcome boost to a field production rate which has fallen from a peak of around 33,000 barrels a day last year to an average of 20,000.

The Argyll partners have given no indication about the reserve potential of the find, but within the oil industry it is thought that the increased output could help to sustain production well into 1979.

With substantial quantities of water flowing into the existing production wells there has been doubt whether the Hamilton group could maintain output much beyond the end of next year.

The well, the eighth to be drilled on block 30/24, is located on the west flank of the field, slightly less than a mile south west of the successful sixth well.

The production was from the Permian Zechstein dolomite section of the rock formation, the same oil-bearing region as found in the sixth well. The latest well tested a faulted structure separate from the main Argyll Field.

Argyll, which was the first field on stream in the U.K. sector of the North Sea, is thought to have had recoverable reserves of about 22m. to 25m. barrels of which an estimated 16m. to 17m. barrels have been recovered.

Participants in the field are: Hamilton Brothers Oil (28.8 per cent.), RTZ Oil and Gas (25.0 per cent.), Texaco North Sea (24 per cent.), Blackfriars Oil (12.5 per cent.), Hamilton Brothers Petroleum (7.2 per cent.), and Trans-European Company (2.5 per cent.).

Tartan Field order divided

BY RAY DAFTER

THE ORDER for a North Sea oil production platform, destined for the Tartan Field, is expected to go to a French builder. But it is likely that a major part of the £25m. contract will be undertaken in the U.K.

This is thought to be the compromise to the international tug-of-war concluded at a meeting in the Department of Energy yesterday.

Dr. Dickson Mabon, Minister of State for Energy, met officials of the Texaco oil group to review the latest tenders for the order.

It was known that Union Industrielle et d'Entreprise had originally submitted the lowest tender of £22m. But Dr. Mabon was anxious to ensure that the order-hungry Scottish yard of Redpath Dorman Long should also be given a full opportunity to compete for the work. RDL, of Methil, Fife, has already cut its bid from £31m. to £27m. in an attempt to secure the main contract.

Details of the contract are expected to be announced later this week, but it is understood that UIE has won its battle to undertake the work.

The French Government has been taking a close interest in the discussions to ensure that there has been no discrimination against the French yard. There have been hints that the issue could be taken to the European Commission, as a possible contravention of trade regulations, if UIE lost the contract unfairly.

Under the expected compromise a substantial proportion of the sub-contracting work will be offered to U.K. companies, including RDL which is one of the five U.K. platform sites that have closed because of lack of orders.

BP Chemicals cuts profit forecast

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BP CHEMICALS has cut its profit forecasts for this year drastically because of poor trading conditions. Some areas of its business, notably plastics, are believed to be operating at a loss and the company is looking for ways to reduce its dependence on U.K. markets.

Mr. Len Burchell, managing director of BP Chemicals, has told employees it is "looking increasingly unlikely" that the company will reach the £36m. profit made on its U.K. operations last year.

When the 1977 budget was put together towards the end of last year a "fairly substantial" increase in profit was expected.

"It is no exaggeration to say that we shall have to pull out all the stops actually to make the same amount of profit in 1977 as we did in 1976, and even this is looking increasingly unlikely," Mr. Burchell said.

The depressed state of BP Chemicals' finances is shown by Mr. Burchell's assertion that last year's profit was only half of what was needed to make a return on the capital employed.

"Perhaps one of the greatest challenges facing us is to spread ourselves to a far greater extent beyond our own national boundaries."

BP Chemicals' foreign interests are far smaller than those of its major competitors, although it has joint ventu West Germany, France, Au and South Africa. Last ye turnover of its world-wide tion reached £495.1m. wit tax profit of £48.3m.

Mr. Burchell expects a n of growth opportunities to overseas in the next 10 leading to the development Chemicals International. present this is a holding co with no wholly-owned ma turing facilities.

He dismissed any ide profits from BP's Nort activities should be plo into the company's che division, or sectors of a which would be unab generate sufficient funds to tin their own long-term via

"The point at issue is wh in circumstances of unsatif profitability, it would be r commit funds of this mag to the chemicals sector. North Sea money is just as short-term bonanza for it is for the country, and to dispose of it once and for all unwisely would be neither interests of the group nor country."

"Excessive pay claims also jeopardise further che investment. Pay increases made the company unab compete in an already di market must make fi chemicals investment una tive."

Biffen warns of risk to public funds

BY RUPERT CORNWELL, LOBBY STAFF

THE COMMON MARKET could easily become an uncontrollable vehicle for channelling enormous public funds into misconceived technological ventures, Mr. John Biffen, an influential Tory back bencher said last night.

Mr. Biffen, formerly Shadow industry spokesman, and still a close adviser of Mrs. Thatcher, cited Concorde as an example of the dangers he had in mind.

He endorsed in even more forthright terms the findings of the Commons Public Accounts Committee last week that production of the supersonic airliner could never be economic, and should stop.

"The powerful technological and business lobby that has sus tained Concorde over the must be told they have had day," he told an audien Watford. "It will be difficult to dispose of the aircra present being constructed alone any further machine

"High technology, above when financed on a multinat basis, could quickly becom substantial vested interest immune from Parliame accountability and control.

"There is no shortage didates for Common Mar life financing. Brussels come a paradise for the what they have been raise on the private cap

Energy estimates attacked by planning association

BY IAN BREACH

THE TOWN and Country Planning Association yesterday opened its case opposing the British Nuclear Fuels proposal to build a spent-fuel reprocessing plant at Windscale.

Sir Frank Layfield, appearing for the Association, said witnesses would challenge BNFL's planning application on a number of grounds—one of the most important being that there was insufficient information for the evaluation of the need for and appropriateness of a new plant.

The association is the last of the legally represented objectors to appear at the inquiry.

Its impact might be enhanced by the fact that the association was instrumental in bringing about this inquiry—by putting pressure on the Secretary of State for the Environment to call in the planning application.

The association has said its basic concern was, at first, less with the environmental consequences of the Windscale plans than with the possibility that a development of obvious regional, national and international importance "might be decided at the local level rather than be the subject of the most wide-searching scrutiny at the national level through some sort of public inquiry."

But Sir Frank made it clear that one of the association's reasons for appearing as objector was that no satisfactory estimates had been given for future energy costs on nuclear or non-nuclear alternatives—estimates which would have a critical bearing on the need for additional nuclear reprocessing facilities.

Electricity demand forecasts had clearly been overstated. His witnesses would put forward even lower figures for consumption at the end of the century than those quoted by the Friends of the Earth.

● BNFL is investigating a fire which broke out on Sunday in the low-level radioactive dump at Drigg. No-one was hurt or contaminated by the fire. It took the works fire brigade two hours to extinguish the blaze.

Steelmaker may face legal action

By Rhys David

NEEPSEND, THE independent Sheffield steel producer, may face a High Court writ from local pressure groups over plans to build a tall chimney to reduce environmental pollution at its ferro-alloy works at Glossop, Derbyshire.

The company, which makes a range of tungsten, molybdenum and vanadium alloys at Glossop for use in its steelmaking processes and for supply to other high-speed steel manufacturers, has reached agreement with the Alkali Inspectorate to replace its existing 175-foot high chimney with another, 300 feet high.

Local groups claim, however, that because of the height of surrounding hills, the taller chimney will still fail to disperse sufficiently the emissions of sulphur dioxide, sulphur trioxide and molybdenum sulphide which the ferro-alloy processes give rise to.

In addition, the groups, which have come together to form the Glossop Societies and Associations, are claiming that a new chimney almost double the size of the existing one will represent a visual intrusion in an attractive area—increasingly settled in recent years by commuters from Manchester—on the edge of the Peak National Park.

The groups claim that emissions from the existing chimney fall on the town in wet weather as highly corrosive sulphuric acid—posing a serious problem for Glossop because of its high rainfall, which is double the national average.

Vital statistics —New edition

VITAL MARKETING and advertising statistics and data from 110 world markets is contained in the new enlarged third edition of the Concise Guide to International Markets 1977-78.

The guide includes up-to-date information on population, working hours, currency, main towns, income, retail and wholesale structures, advertising agencies, commissions, trade associations, media, and market research.

Tories likely to face new devolution split

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE CONSERVATIVE Party could again face a split over devolution when the Government's new Bill for Scotland comes before the Commons this winter.

The shadow Cabinet has slowly been hardening its line against devolution and is almost certain to impose a three-line whip against the Bill on second reading. But a significant number of the five Tory MPs who voted for the last Bill and of the further 28 who abstained, are likely to adopt the same approach.

They will almost certainly include Mr. Alick Buchanan-Smith, MP for North Angus and Mearns, who resigned his shadow Cabinet post over the devolution issue, and Mr. Russell Fairgrieve, MP for West Aberdeenshire and the Scottish party chairman.

Mr. Buchanan-Smith said yesterday that the proposals made by the Government since the defeat of the last devolution Bill in

February were an improv Mr. Malcolm Rifki for Edinburgh Pentland also voted for the last Bi regaining a front bench recent speeches have in that he is losing his adm for the proposal to set up Assembly.

Mr. Rifkind has argue devolution should be aban in favour of a compreh reform of the constitution covering England as well as Sc Wales and Northern Irel

The attitude of rebel C vative MPs to a guillotine m essential if the Bill is protected from filibuster committee stage—is equivocal. Many will wa wait to see how the Gover handles the Commons deba

Mr. Buchanan-Smith sai hoped the new Bill woul in the nature of enabling lation with the detail le schedules.

Norfolk Broads park proposed

BY STUART ALEXANDER

A NATIONAL park for the Norfolk Broads with the administration taking control of navigation and the waterways is proposed in a consultative document published yesterday by the Countryside Commission.

But the Commission, which advises the Government on national parks and countryside, has stipulated that the move must attract a wide measure of local public support.

"Without solid local support no authority, old or new, is going to be able to tackle successfully the conservation and recreation problems of the Broads," said Mr. John Cripps, the Commission chairman.

The comments were made as Mr. Cripps launched a second series of consultations contained in a pamphlet listing four options for action. They were the creation of a national park, but with limited powers: a national park with the extended powers expected from promised Government legislation; an authority created to administer the Broads, extending the powers of the water authority.

The Commission recommended the second option, but Mr. Cripps said that the second round of consultations could produce a fifth option.

The park would be confined to the waterways and the immediate surrounding area and it is not expected to take in the whole of the Broads.

The tourist authorities, the boat builders and hirers, the farmers, and the Great Yarmouth Chamber of Commerce have criticised the Commission's plan. The district councils have been apprehensive.

Norfolk and Suffolk county councils have supported the plan in principle, but favour the creation of a special authority.

MOVES IN TWO CONSTITUENCIES TO OUST MPs

Fighting for political survival

BY RUPERT CORNWELL, LOBBY STAFF

IT IS HARD to imagine two MPs as different as Mr. Nicholas Scott and Mrs. Maureen Colquhoun; she the outspoken but rather homely left-wing Labour member for Northampton North, he the flamboyant possessor of the Conservative seat of Chelsea, firmly on the liberal wing of his party and just three years ago picked by Time Magazine as one of Europe's future leaders.

To-day, though by strange coincidence, both will fight for their political lives, as their constituency parties decide whether they should be re-adopted for their respective seats. In each case the tale has been unedifying, and the air thick with innuendo and hypocrisy.

Indeed, the manoeuvres in Chelsea have come to light largely because of obliquely-worded but unmistakably venomous exchanges in the letters columns of the Times.

Students of politics will have the unique chance to examine on the same night how the two major parties deal with such ticklish problems.

Mr. Scott's difficulties are undoubtedly the more straightforward. The Chelsea Conservative Association has always had a Rightish flavour. Many people were surprised when the local party chose as candidate an avowed moderate and close ally of Mr. Edward Heath.

In the closing weeks of the 1970-74 Tory Government Mr. Scott held a junior job at the Department of Employment and was briefly in Mr. Heath's Shadow Cabinet. In the first 1974 election boundary changes cost him his seat of South Paddington. He held Chelsea in October with a majority of more than 13,000.

The advent of Mrs. Margaret Thatcher put paid to his membership of the Shadow Cabinet, but his troubles locally started in earnest when Mr. Neville Beale became chairman of the Chelsea party. A Right-winger and said to have designs on a seat, Mr. Beale re-opened an inquiry carried out by his predecessor, Mr. Michael Craig-Cooper, which had cleared Mr. Scott of earlier complaints.

Last Monday the Beale faction scored its biggest victory in the campaign to oust Mr. Scott by pushing through on an 11-10 vote a motion to make him submit to reselection with other contenders before the next General Election.

The discontent has many facets, but few doubt that its central strand is resentment of his liberal politics. Into this brew is stirred allusion to Mr. Scott's business activities, his alleged neglect of the constituency, and his private life.

For all this, the betting remains—albeit narrowly—that Mr. Scott MP will survive to-night's ordeal in Chelsea's Manor Street in front of the full 60-man committee. He has been telling friends he plans to counter-attack, denying any disloyalty to Mrs. Thatcher, emphasising that a healthy Conservative Party must embrace a wide range of opinion, and rejecting any suggestion that he has served Chelsea badly.

There is evidence, meanwhile, of the Tory establishment closing ranks around the threatened man. Quite apart from Mr. Scott's acknowledged ability and popularity ...

COMPANY NOTICES

APPOINTMENTS

LEGAL NOTICES

PERSONAL

GOURMET

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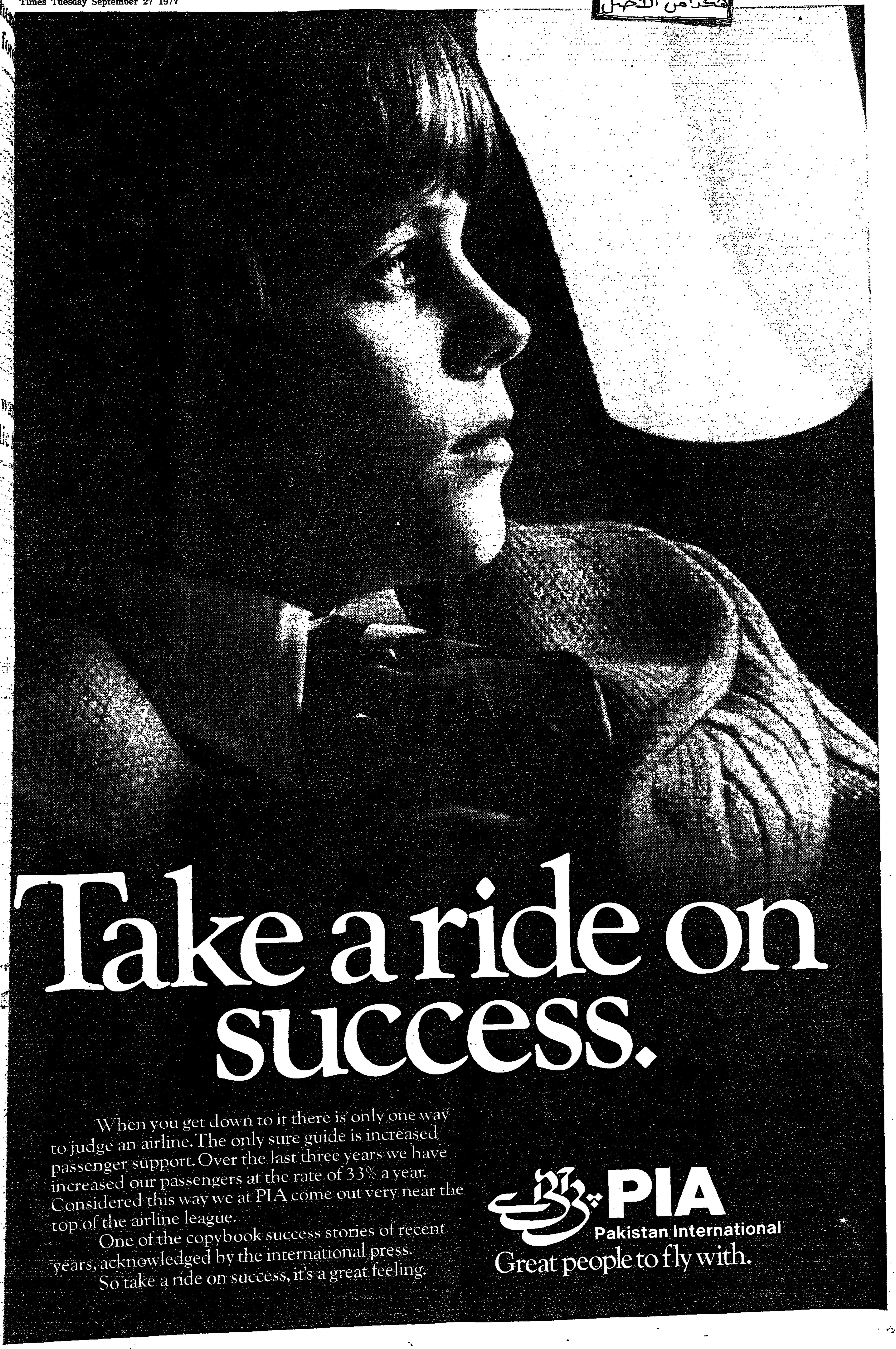

HOME NEWS

Saudis to invest in Welsh tube company

BY ROY HODSON

THE SAUDI Arabian Investment Company of Jeddah is making what is thought to be the first Arab Industrial investment in Wales.

The assets of Llanelli steel tube-making company, Dafen Tubes, are being acquired from the liquidator by a consortium consisting of the Arab group and British and U.S. businessmen, together with the Welsh Development Agency.

The agency is putting £210,000 in a shares-and-loan arrangement with the consortium to acquire the company's premises and plant, and to provide working capital.

A new company called H.G. Tubes is to run the business and the agency is to have a 28 per cent. shareholding.

Dafen Tubes went into receivership when its parent company, O'Connor and Davies, and its parent group, British Steel Constructions (Birmingham), ran into difficulties.

The founder of the consortium, Mr. Henry Sweetbaum, an American living in Britain, will be chairman. Mr. Roy Hamblin and Mr. Brian Glover of Hamblin and Glover Oilfield (Services) will be the joint managing directors.

The works, which will employ about 60, has had a profitable record and went into liquidation because of events outside its control. Seam welded pipes are made there for the transportation of petroleum, gas, and various liquids.

Ahmed Al Magrabi, chief executive of the Saudi Arabian Investment Company, said last night: "We are backing a proven management team with a fine work force."

SAICO, as well as participating in the financing of the company, will assist in developing export markets, particularly in the Middle East, for the Welsh-made tubes.

Tax changes among energy saving plans

BY RAY DAFTER, ENERGY CORRESPONDENT

A HINT that the Government might adopt a stick-and-carrot approach to energy saving was given by Mr. Anthony Wedgwood Benn, Energy Secretary, yesterday.

He told the first energy managers' conference in Birmingham that options now being examined by Government included mandatory regulations, price and tax changes, conservation incentives and greater emphasis on research, development and demonstrations.

There was a close analogy between securing a substantial cut in the growth of energy demand and cleansing the atmosphere. "It took the clean air legislation a long time to work its magic on the smog in our cities."

Mr. Wedgwood Benn disclosed the first part of a revitalised energy conservation scheme. It included:

- A programme of demonstration projects, costing up to £1.5m., to show industry the potential for energy saving. Initial emphasis will be on waste heat recovery projects.
- A new, free energy advice service for industry, commerce and the public sector.
- A doubling of the energy survey scheme subsidy, up to a maximum of £60, towards the cost of a one-day visit by an energy consultant.
- Studies into the problems and saving potential in 21 energy-intensive industries.

Mr. Wedgwood Benn stressed the need for voluntary conservation measures. But he also pointed out that the Government must be wary of side-effects, particularly enforced higher prices. These could present difficulties for certain sectors of the community.

It was important to contemplate investment in conservation on the same scale as that required to produce new sources of energy. The three major areas for savings were industry, which accounted for 40 per cent. of the U.K.'s energy needs; buildings, including homes (25 per cent.); and transport (over 20 per cent.).

Initial estimates indicate that energy-saving measures helped to reduce Britain's energy bill by at least £600m. to £700m. last year as against £200m. in 1974 when the Save It campaign began.

Mr. Wedgwood Benn said there was strong evidence to suggest that a saving of 10 per cent. was well within the grasp of industry and commerce. "In round figures, it means that £500m. is there for the taking. Imagine the effort required to increase the turnover to produce that level of reward."

There was now "the belated realisation that the world is using up its store of oil and natural gas at an alarming rate.

"The world community, as a whole, has got to work together to plan the use of resources which are indispensable to modern civilisation. The impact of shortage on oil prices can only be guessed. Estimates suggest that they may double, or even treble, in real terms by the year 2000."

The conference brought together for the first time hundreds of energy managers from industry, commerce and the public sector. Mr. Wedgwood Benn said he was heartened that the Energy Department was now in touch with between 2,500 and 3,000 such managers.

- The Government's energy advice service for industry, commerce and the public sector was launched yesterday. The free telephone service numbers are:— Industrial Questions: England and Wales, Freephone 6222; Scotland, Freephone S305. Building Services Questions: England, Scotland and Wales, Freephone 3140.

MORE THAN 1,000 would-be home owners packed into County Hall yesterday in the hope of winning a house on a £5 lottery.

The winners' names were drawn from over 11,000 applicants.

Two-hundred run-down properties were put into the lottery, a scheme which was devised by the Conservative administration to help ease the capital's housing problems.

A further 100 names were drawn and will be kept in reserve in case some winners refuse their homes.

Under the Homesteading scheme, couples will move into the homes and receive improvement grants and GLC loans.

After three years occupants will begin to buy their property on a deferred mortgage scheme operated by the GLC.

Two lucky winners were Mr. Philip Lee and his wife Eileen, pictured above, from Edgware, Middlesex, being congratulated by Mr. Horace Cutler (centre), leader of the GLC.

The houses will cost the owners between £6,000 and £10,000 to buy.

Mr. Cutler announced after that a second draw would be arranged before Christmas, but no new applicants could be considered.

Price fall threatens scrap businesses

BY OUR NORTHERN STAFF

THE DROP in prices for ferrous scrap over the past year is threatening a number of businesses in the industry, representatives of the British Scrap Federation in the North West claimed yesterday.

The industry claims that the expected upturn this autumn, as a result of the resumption of activity by steel mills, has not taken place, and prices, which have already fallen 11 times during the past 18 months from £43-48 a tonne in mid-1976 to £23-28 at present, are under pressure again.

Companies which have invested in new equipment for the automated handling of scrap are particularly affected and now face heavy interest charges on capital expenditure.

The industry is also concerned that itinerant collectors who make a living collecting scrap are disappearing. The burden of collecting scrap is being thrown more on the local authorities and householders are finding that instead of being able to sell old washing machines and similar redundant items they are having to persuade the refuse collectors to take them away, the federation states.

Because of the current world steel recession which has affected steel mills, at least five big fragmentisers for crushing motor cars have been made idle in the U.K.

U.K. scrap merchants are hoping for a further relaxation of export quotas by the EEC authorities, enabling the industry to seek new markets in countries outside the Community. Although restrictions have recently been eased, applications for an open general licence by U.K. scrap processors is being opposed at Brussels by the Italian steel industry which is an importer of scrap from the rest of the Community.

Speedier double-tax deals 'would help investment'

BY MARGARET REID

COMMONWEALTH Development Finance, owned by a range of British companies, the Bank of England and some Commonwealth central banks, has found no evidence that important overseas investment opportunities have been lost through lack of finance.

A memorandum of evidence to the Wilson Committee on financial institutions notes that it would probably produce a small but significant increase in such opportunities if the negotiation of double-tax agreements could be speeded.

CDFC, which has put £70m. into more than 180 ventures in 30 countries, also comments on a widespread conviction, which it shares, that the investment premium is increasing; difficult to justify on balance of payments grounds.

The premium is the extra amount British investors normally have to pay in buying foreign currency needed for projects abroad through the existing pool of investment currency in British hands. Acquisition of currency for investment schemes at the more favourable market rate of exchange is only allowed in exceptional cases.

CDFC is convinced that decisions by British concerns to set up overseas manufacturing ventures take place where this is necessary to meet impending competition which cannot be adequately responded to by exports. "In most cases the export market is going to be lost to foreign competition unless the over-seas investment is made."

Callaghan told: Forget Sunningdale

By Our Belfast Correspondent

MR. HARRY WEST, leader of the official Unionist Party, has written to the Prime Minister urging him to drop the idea of power-sharing between the two communities in Ulster.

His letter, reaffirming Unionist policy, is in advance of Mr. Callaghan's meeting with Mr. Jack Lynch, the Irish Premier, in London to-morrow. Mr. Roy Mason, Northern Ireland Secretary, will accompany Mr. Callaghan.

Mr. West is understood to have said in the letter that the local council elections in Ulster in May brought another endorsement of the Unionist opposition to power-sharing and all-Ireland institutions.

He urged Mr. Callaghan to "forget the Sunningdale agreement," which led to the establishment of the ill-fated power-sharing executive in 1974.

Last week Mr. Callaghan told Mr. Gerry Fitt, leader of the Social Democratic and Labour Party, that the Government remained committed to the principle of partnership in Ulster.

Expansion scheme will recycle more cans

BY OUR INDUSTRIAL STAFF

AN INCREASED programme of investment and research was announced yesterday by Material Recovery, pioneers in Britain in the salvaging and re-use of metal from cans.

Material Recovery's three parent companies—the British Steel Corporation, Metal Box and Batchelor Robinson—will increase its capital from £300,000 to £900,000. The company is planning a £200,000 development programme to improve methods of cleaning ferrous scrap and preparing it for de-tinning.

Mr. Peter Treharne, a metallurgist from Batchelor Robinson, has been appointed to lead the project.

Since its creation in 1975, Material Recovery has operated a ferrous extraction plant at Ravenswell, near Newcastle upon Tyne, on a site owned by Tyne and Wear County. It processes scrap at the rate of 100,000 tonnes a year, and producing 6,000 tonnes of ferrous metal, iron and tin ore, and coking coal.

It is estimated that more than 10bn. food and drink cans are used in the U.K. each year. Only a tiny proportion are salvaged from the country's rubbish dumps, and recycled.

A spokesman for Tyne and Wear County Council said yesterday that the council believed that Material Recovery's achievement would be recognised by other authorities, and would prove to be a technological breakthrough in waste recycling.

Material Recovery has submitted plans for a second extraction plant to another county council, and is negotiating with others on similar schemes.

The long-term aim of the company is to process 400,000 tonnes of scrap a year, representing a net saving of £13m. in the annual import costs of [illegible]

Warning on electronic diagnosis

A WARNING that the powerful new electronic methods of diagnosing disease, such as X-ray and ultrasonic scanners, should be used intelligently to obtain relevant information about the patient, and not just to satisfy the curiosity of the doctor, has been given by two British medical authorities.

They stress that for the great majority of patients most information about their illness is still obtainable by taking a case history.

"The doctor who does not speak to his patients or relatives but relies on tests will often miss the diagnosis," say Dr. Louis Kreel and Mr. Ilston Meire of the Clinical Research Centre at Northwick Park Hospital, Harrow, writing in the current issue of the British Medical Journal.

The authors, who have pioneered diagnosis in Britain with both X-rays and ultrasonics, say that too investigator must ask a specific question relating to his patient's condition, then decide which method would be best to answer the question.

Usually the electronic scanning methods cannot answer such a question as "Why so pale and wan, fair maid?" they say. But it can answer, "What is the size, shape, and position of a mass in the pancreas and is it solid or cystic?"

The authors conclude that, irrespective of costs, ultrasonics are clearly preferable for obstetrical investigations because, unlike X-rays, they hold "no known hazard" for mother or unborn baby.

But X-ray scanning has revolutionised neuro-radiology—examination of the brain and spinal cord. It also has no rival, they say, for the diagnosis of lung disease and for problems with the skeleton. In other parts of the body, such as the abdomen, it was "relative advantages depend more on the specific circumstances of the patient and his illness.

NEWS ANALYSIS—SKATE-BOARD MANUFACTURE

Gathering momentum

BY PETER CARTWRIGHT

SKATEBOARDING, Britain's fastest growing leisure industry, was given official status last week with the formation of a National Skateboard Association.

It is expected to grow into a market worth £15-20m. with makers of "bump" helmets, kneepads and other safety equipment also acquiring the same value market.

Several clubs have been formed mainly at seaside resorts and demand is shooting up towards 1m. skate-boards a year. Beyond the present capacity of the half-dozen or so principal makers. A number of championship events are being organised.

Local authorities have joined the association—a significant move for the establishment of the sport because it commits local authorities to its promotion, besides the control of a safety code.

In Birmingham, where there are at least 14,000 skate-boarders, Morris Vulcan, the U.K.'s leading skate-board maker, wants to join with the West Midlands authority in building a skate-board park similar to the parks in the U.S.

Those who are familiar with skate-boarding will be aware that it has become a sophisticated sport with many varieties of stunts and events.

In America, where the sport started, special parks with banks and walls are provided for the enterprise ... the West ... and California ... have applied for skate boarding to be included in the 1980 Olympics.

In South Africa, where the sport is strongly supported, skate-boarders are allowed the free use of hypermarket car parks at week-ends.

In West Germany a national council strictly controls its development and has banned skate-boards from public highways. In many other countries it has been almost the only boom of depressed sports, leisure and hobby industries.

It has its dangers but young skate-boarders in America have impressed spectators by their responsible attitude. Relatively few accidents occur at the special parks.

Skate-boards were developed in Hawaii to help surfers master upright surfing; they used the same kind of ballet-like movements to propel and guide them.

Skate-boards come in a variety of woods, light metals and plastics, with different trucks (undercarriages) to match the needs of riders. They cost from £5.50 up to £45 in the shops.

Small junior boards are equipped with roller skate wheels that limit speed.

The 30-inch coloured, flexible boards may come with urethane wheels to provide good traction and precision roll bearings for sustained cruising. Average life is about six months.

The biggest by far of the U.K. makers is Morris Vulcan, of Solihull, Birmingham, which came into the market via roller-skates. Skate-board capacity is being doubled to over 1m. a year to catch up on a huge backlog in demand.

The company has a German demonstration team, sells additional skate-board equipment and also formed a company with a subsidiary of Cooper Industries to build skate-board parks.

The other 25 per cent. of the market is held by Skateboards of Norwich. H. Moher, of Newhouse, near Motherwell, a subsidiary of Dartmouth Investments, Beadie Roller Skates, Ferry, Bong, London, and other smaller manufacturers. None of the big toy and hobby makers appear to be interested in the field for fear that the craze may pass as quickly as it arrived.

But skateboard parks, competitions and its controlled exploitation through the youth councils and local authorities could soon help to give it a more permanent place among sports.

Skateboarding . . . it's booming.

LABOUR NEWS

Worker directors face wide opposition

By Our Labour Editor

THE IDEA of putting workers on the Boards of private companies is overwhelmingly rejected by employers, and has virtually no support from the workers themselves, according to a survey of engineering firms to be published next week.

But a more surprising conclusion of the survey is that specific legislation must be introduced to stop "haphazard" development of worker participation that, it is said, could damage industrial relations and affect companies' performance.

The survey was after the Bullock Report on industrial democracy, but also after the initial controversy had died down. Managers of 148 engineering firms with 250,000 employees were interviewed by the management consultants P-E Consulting.

A White Paper proposing industrial democracy legislation was promised for this session of Parliament. There is some doubt whether Ministers will launch a White Paper on the last available day of the session, October 26, particularly as they have not resolved the political difficulty of appeasing the TUC without at the same time upsetting their Liberal allies.

The TUC has considerably modified its demands for worker directors in a composite—and compromise—congress resolution drawn up to bury the wide differences of opinion between at least four big unions.

The engineering survey found that 96 per cent. of employers were strongly opposed to worker directors, and 98 per cent. said there was no pressure for them from their trade unions.

Stressing that there was already a significant degree of participation in industry, though not on matters of investment or other "strategic" policies—it said that three-quarters believed greater participation in the past few years had helped companies weather the recession.

Over half wanted more participation, but only one in four had positive plans to extend it, and only 13 per cent. had told their employees of those plans.

Mr. Len Weaver, a director of P-E, says: "It is difficult to avoid the conclusion that unless specific legislation is introduced the future development of employee participation will be haphazard, uncontrolled and achieved only through a process of attrition."

Unless managements acted urgently, that could produce "damaging and long-term effects on industrial relations and a related decline in company performance."

Leyland and unions talk

By Our Labour Staff

NATIONAL union officials meet management yesterday in an effort to resolve the pay strike which has halted production at British Leyland's Lancashire bus and truck factories.

Production workers have rejected an offer of 7.6 per cent. plus a productivity scheme and are instead looking for pay increases of £15 a week before they will begin discussing productivity.

The Amalgamated Union of Engineering Workers executive is expected to review the industrial relations problems in Leyland Cars when it meets to-day.

Gallaher in talks to defend extra pay

BY OUR LABOUR STAFF

GALLAHER, the Northern Ireland tobacco company, meets Government officials in London to-day to explain why it wants to give all its workers an extra week's pay to compensate for overtime lost in a recent strike.

The proposal comes at a sensitive time, when the Government has shown its determination to prevent employers from giving pay increases above the 10 per cent. guidelines.

The company is expected to try to justify with Department of Employment officials a plan to make an across-the-board handout at least to its 5,500 manual workers in Ulster, and also possibly to 10,000 in factories in Great Britain.

Demands for payment for lost overtime after a strike by 200 craftsmen halted production earlier this month was made by manual staff in the Transport and General Workers' Union.

Their claim followed a recommendation by the Northern Ireland Labour Relations Agency, which acted as conciliator in the dispute, that the company should pay the strikers for five of the eight days on which they were out.

The overtime lost to other workers was estimated on the basis of about 38½ hours for each worker, equivalent to about a week's wages.

Gallaher's plans are include payment not manual workers in Great who were unaffected strike, but also to and staff in all its fac the tobacco sales divis company says that it treat all workers fairly an equal basis, and is its case on the original mendation of the Labo tions Agency.

- Production at Risia Cables, one of the factories in Newcastl Lyme, Staffs, was at a s yesterday because of official strike by 200 e over a pay claim.

The engineers reject company's insistence tha pay policy and dema return to free collective ing. About 2,000 bou workers have been laid engineers picket the prevent the flow of goods out of the factory.

At the Export Packing company, Chipping Northants, workers have their claim for a 30 pe rise at the end of a strike. More than 600 at the factory are said conceded that their claim be in breach of the Gov pay guidelines and the rule.

Row brings Avonmouth Docks to standstill

BY NICK GARNETT, LABOUR STAFF

AVONMOUTH DOCKS, Bristol, were at a standstill yesterday following the latest of a series of unofficial stoppages that have plagued the port for almost three weeks.

The dispute, which centres on extra cash payments made for handling certain types of cargo and the procedures used to process them, is similar to that which shut down two of London's enclosed docks last month.

Officials of the Transport and General Workers' Union and the National Amalgamated Stevedores and Dockers Union claim employers have been attempting to opt out of agreed procedures for handling extra payment claims for "abnormal" cargoes and want to abolish the payments altogether.

The Port of Bristol Authority says various payments have been made outside the bounds of agreed rules and employers simply want the rules strictly adhered to.

The trouble originally up after 80 employers following the 1,300 dockers that rules would henceforth together with the berth Chilean ship which co cargo the men class abnormal.

The port authority say ever, that there has al trouble simmering over ployers' refusal to go the Government's 10 pe pay guidelines for the settlement due in Januar

Industrial action has ta form of walk-outs by sec staff. Yesterday, abou Transport and General m stopped work, making idle, but union offici expected the men to be work to-day.

The dispute at London affected Tilbury, as well a and Millwall and the Group, arose over new a ments for assessing ext ment claims.

Darlington mediation move

BY OUR LABOUR CORRESPONDENT

PRELIMINARY arrangements for mediation into the National Union of Journalists' closed shop dispute at North of England Newspapers, Darlington, were made yesterday by the Advisory, Conciliation and Arbitration Service and the name of a mediator may be announced to-day.

Both sides in the dispute were in contact with ACAS yesterday following the decision by the union's executive on Sun accept mediation withou conditions. The union initially insisted that any ment must uphold its po 100 per cent. post-entry m ship but moved from position under pressure fr print unions.

NUJ members at No England, supported by workers, are on strike o employment of a sub-edit refuses to join the union

Bid to stop pit closure

BY OUR LABOUR CORRESPONDENT

YORKSHIRE miners' leaders yesterday threatened to take industrial action if the National Coal Board goes ahead with proposals to close the 102-year-old Rockingham Colliery near Barnsley.

A meeting of the National Union of Mineworkers Yorkshire area council voted in favour of keeping the pit open.

Mr. Arthur Scargill, president, said afterward means that the Yorkshi have voted to take ind action if the NCB do no to keep the pit open, or very least, start to un borings in the area to pro way to another who is about the coal reserves

Militant firemen want 30% ri

BY PAULINE CLARK, LABOUR STAFF

MILITANT FIREMEN who are demanding a 30 per cent. increase in pay and a re-evaluation of their jobs travelled to Brighton last night to lobby a conference of chief fire officers and fire engineers.

The delegation from the 30,000 strong Fire Brigades Union was composed of more than 70 honorary officers in the union and included Mr. William Myler, Scottish executive council member, who last week threatened to lead a national strike if pay demands were not met.

At the five-day fire technology conference, Fire Tech 77, chief fire officers and members of the Fire Protection Association and the Institute of Fire Engineers will be lobbied with extracts of a recent working party report on firemen's jobs under Lord McCarthy, independent chairman of the joint evaluation working group.

Lord McCarthy's report recommended "early discussion" on pay levels in comparison with a much broader range of jobs in the community than has been so far used in assessing the status of firemen.

The union wants action on the report to be taken as soon as possible to help pay negotiations this autumn and justify their claim for exemption from the Government 10 per cent. pay policy limit. The firemen are due to receive their next pay settlement in November.

Union officials in London said yesterday that firemen were determined to achieve recognition of the qualifications and skill needed to keep up with technology in fire prevention and fire fighting. It was however that Scottish who had talked of action recently would militant threats on their Any militancy would national basis.

The union has alread mitted firm proposals employers on their pay tions. On the basis McCarthy report, they are for firemen in 1977 to be level equal to the average day of adult male worker 30 per cent. to take account special skills and involved.

They estimate this would a rise of around £20 a w the present £65.70 gross qualified firemen.

APPOINTMENTS

Glynwed Overseas senior pos

Mr. Michael W. Walton has been appointed managing director of GLYNWED OVERSEAS from October 1. Mr. Walton has held senior executive posts with the Glynwed Group over the past three years and latterly was assistant managing director of Vogue Bathrooms.

*

Mr. John Warren has been appointed European controller of the McGRAW-HILL PUBLICATIONS COMPANY and will be based in London.

*

Mr. T. M. Hollis and Mr. A. J. Eastwood have been appointed assistant general managers (computer operations) of MIDLAND BANK from October 1. Mr. Hollis, at present computer services manager, will be based at the Bank's head office at Poultry, London, and Mr. Eastwood, who is assistant regional director, Leicester, will now operate from the Sheffield head office.

*

Mr. James Ferguson has been appointed group administration director and company secretary of VAULDALE ENGINEERING. Previously he was group administration director and group contracts director of Head Wrightson and Company.

*

Mr. R. Owen has been appointed a director of SPHERE DRAKE (UNDERWRITING).

*

Mr. J. D. G. Hulme has been appointed finance director of HIL (UNITED KINGDOM). Mr. A. C. Van der Linden, the previous finance director, has become group financial controller of Hutchison International at the head office in Hong Kong.

*

Mr. J. L. Giles has been appointed managing director of DUDLEY PORT ROLLING, a member of the Ductile group. He succeeds Mr. H. who retires at the end month. Mr. Giles was pre managing director of Planetary Mill and Ductile Services.

*

Mr. K. J. Tyler has been appointed secretary of the ENVIRONMENTAL HEALTH OFFICERS ASSOCIATION to take over from Mr. Reginald Johnson, retiring secretary, on Jan

*

On October 1 Dr. Alan A. succeeds Dr. Richard W director-general of the WEL INSTITUTE. Until taking new appointment Dr. Wel Professor of Structural and head of the Civil Engineering Department of The Queen's University of Belfast.

...hnical Page

...THUR BENNETT AND TED SCHOETERS

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...EST is reported ...n und Schneiden ...tional Welding ..., West Germany, ...velopment in the ...eld. ...ny has moved ...ating the heavy ...d welding recti... used to-day. It ... with heavy duty ..., large windings, ...trical components ...p standard trans...ation assemblies. ...ding static power ...uilt totally from ...ponents. Weight ...o reduced that a ...m unit will do the ... kg power source ...rding to earlier ...

...nits, by operating ...nstead of 50 cps. ... for heavy trans...ndings. They run ...city and efficiency ...ding results. ...portant aspect is ... off-load is drawn ... network against ... figure of 900 W ...nal rectifier. The ...erter saves a great ...ical energy and ...rly if many weld...are in use, for ...hipyard, on a pro...e. They also offer ...duction of welding ...trical cable costs. ...diameters can be ...ter cable runs and ease in handling for the welder or welders.

The ESAB welding converters are so small that 2 or 3 units can be carried in the boot of a car. This means no heavy transport to move a power source to a site.

More from ESAB on S-402 70 Gothenburg, Sweden.

● PERIPHERALS

Collects the data

INTRODUCED as a dedicated recorder for the Datasure laboratory data acquisition system, modular unit 1700 from Instem is designed to fully comply with ECMA 34 standards.

Fitted with read-after-write circuits, fast-rewind and positive file protection, the recorder can be remotely controlled and can record data while simultaneously passing it to some other receiving unit. This "transparent" operation is particularly valuable where local copies of data are required and is also a convenient means of storing data for possible further processing. Applications will occur in many data handling areas including off and on line recording for computers, data preparation and data logging.

Used with the 1100 or 1500 Datasure controllers the system will accommodate 40,000 data points (each of six characters) per side of tape giving acquisition times ranging from about 20 minutes to nearly one day. Conversion scan rates are from 40 points/sec to two secs/point. The cassette can be used with any other ECMA 34 tape reader such as the Philips LDB 4000, thus providing true data profitability. More from The Mount Industrial Estate, Stone, Staffs (078583 2131).

Versatile U.K. logger

SUITABLE for a wide range of industrial and scientific applications the Perifile 6051 continuous data logger is organised by a microprocessor and has been designed and made in the U.K. by Perex, an associate company of Sintrom Electronics of Reading.

Making use of the 3M DC300 quarter-inch tape cartridge and a rugged tape drive, the unit is intended for high reliability digital recording of up to 1.8m. bytes of either serial or parallel data. Endless loop operation is possible as well as normal track-sequential mode.

Electronics consist of micro with a duel buffer store, input output interfaces and read-write circuits: the processor controls the flow of data to and from the tape, filling the intermediate buffer with up to 512 bytes. The recorder accepts data at up to 2,500 characters/sec. The standard block length of 512 bytes is used and there are full error detection facilities.

The 6051 occupies 185mm of 19 inch (475mm) racking but can be supplied free-standing when it measures 185 x 440 x 495mm and weighs 14.5 kg. Sintrom is at 14 Arkwright Road, Reading RG2 0LS (0734 85464).

● MATERIALS

Degussa in the U.K.

TO ESTABLISH its own marketing organisation in the U.K., Degussa, of Frankfurt am Main, West Germany, is acquiring the entire equity of Bush Beach and Segner Bayley. From October 1, the latter company, previously Degussa's U.K. agent, will become Degussa Limited.

In 1969, Bush Beach and Segner Bayley, with Degussa, formed Bush Beach Engineering, of Cheadle, Cheshire. Under the arrangement the new organisation will take over the full share capital of Bush Beach Engineering.

Bush Beach, Engineering will continue to produce temperature and flow sensors, and future plans include exporting the instrument range to Europe. The company will also market electronic components produced in Germany.

● PLASTICS

Tough resin for fast output

THREE NEW Cycolac ABS resins which can be processed at very high rates whilst maintaining impact strength and heat resistance have been brought out by Borg Warner.

The new products are specifically designed for the domestic appliance, television and automotive industries.

The high melt flow of one of the new formulations (X-37) allows fast cycle, economic production of structural housings and components for tough duty electrical appliances, power tools and business machines with service temperatures up to 115 degrees C.

Type KBF provides a flame-retardant material for TV manufacturers which fully meets the latest European specifications. It also has flow and mould release properties which permit increased production rates.

For the automotive industry, Type XMA has been formulated for use in components such as dashboards and front-end grilles. It has the requisite high impact strength and heat resistance to maintain dimensional stability when it is exposed to "behind the glass" sunlight. Melt flow characteristics enable fast production rates on thinwall components, with minimal internal stresses.

Borg - Warner Chemicals (U.K.), is at 20 Coventry Road, Cubbington, Leamington Spa CV32 7JW.

● REFRIGERATION

Keeping its deep freeze

DESIGNED for applications which require long hold times —more than 100 hours—at fixed temperatures is the MD.800, a compact infra-red detector cryostat from Oxford Instruments.

Construction of the cryostat is from aluminium alloy, stainless steel and copper. It is readily demountable in order to simplify maintenance and assist system design changes.

The nitrogen vessel has a volume of 1.4 litres and cools a polished copper radiation shield. Hold time is greater than 18 hours. The helium vessel, which is equipped with a demountable copper base plate, has a volume of 1.4 litres. The cryostat has a guaranteed hold time of better than four days (100 hours).

The vessel may also operate at a fixed temperature of 77K using liquid nitrogen only and in this mode has a hold time of several weeks.

Oxford Instruments, Osney Mead, Oxford OX2 0DX 0865 41456.

● METALWORKING

Intricate shapes cut

POWERED fretsaws with which shapes can be cut rapidly from plastic, wood or aluminium sheet, can be used in model-building, stand construction and for advertising purposes.

In order to be able to accommodate a variety of materials and thicknesses a continuous control can adjust the number of strikes between 650 and 1600 per minute.

A V-belt runs from an electric motor with a built-in clutch to the saw drive unit. The latter consists of an adjustable eccentric, which moves the saw arm. The "chopping" movement of the saw, combined with the adjustable speed, ensures optimum sawing efficiency in working with the various materials.

The saw unit is placed in a casting mounted on a welded steel pedestal. A plastic worktop, measuring 600 x 600 x 15 mm is attached to the casting. The saw arm has a useful depth of 400 mm.

Maximum thickness of material (wood or plastic): 40 mm. Length of saw: 150 mm.

Machinefabriek Wegra B.V. J. F. Kennedylaan 17, Valkenswaard, Holland

Reinforcing bar cutter

SIMULTANEOUS CUTTING of several large diameter reinforcing bars, as well as thinner bars in bundles, can be carried out on a machine built by Muhr and Bender, of Attendorn in West Germany. Up to five bars of 32mm. diameter and two bars of 45mm. diameter (standard tensile strength) can be cropped at a rate of 40 cuts/minute. The bars are located and clamped by a hydraulic hold-down system—to reduce noise—while blade wear is reduced by a spring-loaded support roller and adjustable knife-feed.

The machine is powered by an electric motor, via a V-belt drive and helical gears, to a rolling key clutch. Centralised lubrication, an overload clutch, and motor protection are fitted.

U.K. distributor is Rivers Machinery, Winnal Road, Winchester, Hants (0962 60371).

● COMMUNICATION

ICI speeds the message

PYE TMC is to supply and install a Philips DS714 message and data switching sytem worth £1m. to ICI where it will form the main switching centre for the company's extensive national and international network.

Located at Blackley in Manchester, the centre will deal with 150 low speed lines (50 to 200 baud): but there will also be a number of medium speed circuits, one of which will link the network via a Philips P800 intereface processor to an IBM 370 for bulk processing of commercial data. Several other big IBM machines in the ICI divisions might eventually be connected. The P800 also links to the public telex network for home and foreign messages.

The initial installation will be able to handle 1,200 messages an hour on average and is able to cope with peak traffic of five per second. But the modular design allows for expansion. The system is expected to be completely operational by next summer. It is similar to others already supplied by Philips to Shell Petroleum, SITA, the FAA in the U.S. and the British Post Office.

● ELECTRONICS

Accurate resistance

DESCRIBED as "more than a suitable low-cost alternative to wirebound types," "TF" precision film resistors from Brooks and Green are stable, compact devices suitable for many circuit applications.

Values range from 1000 ohms to 10 megohms with tolerances from 0.1 to 0.01 per cent. Maximum operating voltage is 1,400 V with dissipation up to ¾W depending on value.

Temperature coefficient is particularly low at 5ppm/deg. C and the devices have intrinsically low inductance making them useful where pulse distortion and bandwidth are considerations. To special order, values up to 25 megohms can be supplied. More about the resistors, which are made in the U.S. by Caddock, from Brookes and Green, Gomshall, Surrey, GU5 9NS (048641 2956).

● INSTRUMENTS

Recorder is intelligent

FIRST portable instrumentation tape recorder controlled by a microprocessor has been announced by Honeywell Test Instruments Division. The Model 101 is a large-reel, high performance portable providing from 7 to 32 recording tracks. It operates at either intermediate or wide-band frequencies.

The microprocessor permits the user first to make and then to verify the numerous calibrations required for instrumentation recorders without employing external test equipment.

Besides basic control the microprocessor enables the user to programme specific sections of the tape for replay. It also enables keyboard programming of the sequence of tape tracks to be used.

Honeywell, Charles Square, Bracknell, Berks 0344 24555.

● CALCULATORS

Sun power does sums

SOLAR 1981 describes a much improved version of what originally was the only solar-powered pocket calculator on the market.

Redesign by Adler has allowed the number of cells to be reduced to 36 and, because of single-chip calculator driver design, 15 minutes of exposure to the sun will provide enough stored power to run the unit for six hours continuous operation.

Obviously the attraction for the traveller who needs a calculator is the freedom the unit gives him from the need to seek replacement batteries, or find a converter that will plug into the local grid source without blowing up his calculator or electrocuting himself.

Meanwhile, despite the fact that the first unit was announced a year ago, the price of the redesigned machine has been cut by about a third.

More from Office and Electronic Machines, 140, Borough High Street, London, SE1 1LH. 01-407 3191.

● ENERGY

Recovering waste heat

WITH THE widescale introduction of mechanical ventilation for the smaller premises, particularly flats, and the constant escalation of heating costs, installation of small heat regenerators which take warmth from reject stale air and channel it to incoming air is fast becoming a practical proposition.

Curwen and Newbery, which holds a Design Council award for its regenerators, is to market vigorously its smaller units suitable for domestic applications and covering duties from 339 to 763 cubic feet per minute and 530 to 1208 cfm.

They offer low air resistance and permit various ductwork connections and, apart from flats, are suitable for small restaurants and bars to recuperate heat from cookers, lighting and people.

Curwen and Newbery, Westcroft Works, Alfred Street, Westbury, Wilts., BA13 3DZ. 0373-823646.

● AUTOMATION

Improvement in plotting

HAVING sold some 250 of its Emma and Fred photoplotting and digitising machines to become a leading manufacturer of interactive draughting machines, Quest Automation has announced a further software package call Quad which "significantly enhances" the machine.

Quad improves flexibility and extends the range of input data that the operator can handle. For example, simultaneously he will now be able to define different types of data on up to 32 different layers by digitising only one point. The information carried on these layers could take the form of pad patterns, solder resist layers, silk screen outlines or board assembly drawings.

Other facilities include the ability to define different symbols for the various drill and pad sizes etc. (helping to clarify both VDU displays and pan plots), actual track width reproduction on the screen (or plotter), retro-active change of pads already placed in common, and improved text labelling of components. More on 0202 891010.

● SAFETY

Nitrogen oxide check

OFFERED by Pye Unicam is the Philips PW 9762, an analyser that will automatically measure the atmospheric oxides of nitrogen for periods of up to three months without manual intervention.

The measurement is based on chemiluminescence and two separate outputs are provided, one for the monoxide and the other for the dioxide or the sum of the two, selectable by a switch. Concentrations can be read from digital displays but are also available in analogue voltage or current form.

Readings are in parts per million, but can be shown as milligrams per cubic metre, and there are also BCD output options.

Zero drifts are automatically corrected and the cathode temperature of the photomultiplier tube is closely controlled. Any zero signal residual is monitored by frequent zero gas measurements which are subtracted from the measured signal.

The instrument fits into 19 inch racking, incorporates its own sample pump and power supply unit and can be ready for use within 20 minutes of connecting up. More from York Street, Cambridge (0223 58985).

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Cadena International Corporation, 217 Western House, Smallbrook Queensway, Birmingham B5 4HD, England. Telex 338496.

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ON ACCOUNTING

BY DERMOT GLYNN

The search for a 'gearing adjustment'

…ntancy profession strives to find acceptable interim solutions to the problem of accounting for the …ation, discussion has shifted to the question of … should be a gearing adjustment in the proposed …

…nent in favour of such an adjustment is that the …tion on a company's assets are partly borne by … of debt capital, and credit in general.

…nber 6 we published an article in which Martin … ior research partner of stockbrokers Phillips and …d the alternative methods which have been pro… …ulating the gearing adjustment.

…ticle Dermot Glynn, CBI Economic Director, urges … be cautious about adopting any form of gearing … He believes it could lead to many anomalies and … company accounts.

…unting Standards Committee is expected to unveil …flation accounting guidelines for larger companies

…ACCOUNTS pre- … present accoun- …ions are seriously …cause of inflation. …ons are that these …" conventions do … a cost the money … place at to-day's …tocks and fixed …p in production. … that profits are …ated, if profits are … mean the amount …ich the business … (or pay in taxes, …s or whatever) at …he year without … down or raising …rom outside.

…ntancy profession … the responsibility … a new form of …h will not be so … This was the pur- … draft new rules, …sure Draft 18," on …nts were invited …ear. Many of the …re critical in one …ner, and a grass- …f members of the …tute of Chartered …led to a vote on …inst compulsory …f the proposed …

…problem remains. … show as "profit" sums of money needed in the business to keep it going, and there are still no approved ways of correcting the situation. This is why the promise, by the accountants committee responsible for accounting standards—the Accounting Standards Committee (ASC)—of new simple rules to be published this autumn on the main corrections needed on historic cost accounts, was so welcome. These corrections will be for inclusion wherever practicable with the 1977 accounts—a whole year earlier than ED18 would have touched. It is hoped this interim guidance will be quickly followed by a new accounting standard, and indeed will help towards it. We need as soon as possible a fully established system, which would apply to all companies. The interim guidance and the new standards will need to be broadly consistent.

What will the interim corrections be? The ASC statement published on July 27 promised "simple guidelines for supplementing historical cost results with information in respect of (a) the cost of sales adjustment; (b) the charge for depreciation on a current cost basis; and (c) an adjustment to take account of the effects of gearing."

The first two of these adjustments are more important, and less controversial, than the third. They are the direct descendants of principles explained in the Sandilands report, and elaborated in ED18. The "cost of sales" adjustment makes sure that the true current cost of stocks and materials used is deducted before profit is calculated. The depreciation adjustment makes sure that the cost of depreciation is reckoned in a way which should allow the business to replace its fixed assets when the time comes without the need to raise additional capital. Both corrections are simple in principle, and urgently needed. The practical problems of calculation are soluble, and the full revision of accounting standards in the light of the comments on ED18 will surely rest on these two adjustments.

But the "adjustment to take account of the effects of gearing" is a more obscure idea. It was not found in the Sandilands report proposals, nor in ED18, (nor indeed in the earlier CPP proposals, now discredited but well supported at one time, although there is an affinity between the new gearing factor idea and the proposed CPP treatment of monetary items).

The CBI welcome for the ASC's July 27 statement was qualified to the extent of saying "We do not wish the controversy on monetary items to delay achievement of the other main adjustments, and consider that companies should be free to deal with this matter in the way they judge right in the circumstances."

This was in line with our welcome for the flexibility which ED18 proposed with regard to monetary items, through the appropriation account. That part of ED18 was, however, criticised by others on the grounds that it left too much discretion to the directors of the company to show the amount which could be distributed. This was felt to be difficult to audit. As a result, there has been pressure for a simple formula to be provided, which would show how much of the "holding gain" it was prudent to distribute; and this is the purpose as I understand it of the intended gearing adjustment.

Possible forms of "gearing adjustment"

A number of schemes have been put forward unofficially (some were discussed by Martin Gibbs in his article on Sept. 6). But nobody yet knows for sure what this proposal will be. One suggestion is that it will reduce the size of the other two adjustments by the proportion of debt to equity capital in the balance sheet at the start of the year. If the company has equal proportions of debt and equity capital, the stock and depreciation adjustments will be halved; if debt were one-third and equity *two*-thirds of the capital, then one-third would be taken off the total of the stock and depreciation adjustments; and so on. The idea is that these two adjustments are only needed in respect of the part of the business financed by equity, as increased borrowing can be used to finance the rest of the increased costs of stocks and depreciation.

Another suggestion is that the relevant ratio is that between equity capital and net monetary liabilities (if any). This is the approach favoured by the London Society of Chartered Accountants, and it appears to be a front runner at the moment.

Under this scheme monetary assets and liabilities are defined as "those amounts which are fixed in terms of currency." Monetary liabilities are all forms of debt (debentures, bank loans to the company, debts owed to suppliers where the company receives trade credit, deferred taxation payable in the foreseeable future, etc., but not counting preference shares or convertible loan stock).

If the total of these items is greater than the total of monetary assets (cash, trade credit extended to customers, and presumably financial assets of all types) then the difference is termed the net monetary liability. The proportion which net monetary liabilities bears to the total of net monetary liabilities, plus the other credit balances not treated as liabilities (for example, Ordinary shareholders' funds, Preference shares), would be calculated; and that proportion of the cost of sales and depreciation adjustment added back to the profit and loss account and charged to the revaluation reserve.

> The purpose of an intended gearing adjustment is to provide a simple formula which shows how much of a "holding gain" it is prudent to distribute. But the author warns that pitfalls may await companies taking such a step.

Favoured

Thus, if monetary assets were equal to monetary liabilities, there would be no net monetary liability, and the full cost of sales and depreciation adjustments would be shown; if net monetary liabilities were equal to the other credit balances (or equity) then these adjustments would be halved, and so on. If monetary assets were greater than the liabilities, profits would be adjusted downwards.

A third possible scheme—and one favoured by Martin Gibbs—would separate long-term from short-term monetary items, and show the adjustment in respect of net current monetary liabilities.

Obviously, it is not suggested that the amount shown as profit after any one of these possible adjustments (or any other conceivable way of reporting on a past year's business) will necessarily be the right amount for a company to distribute. That decision depends on the circumstances in which the company expects to find itself, its future plans, and many other things besides. Nor are these suggestions justified primarily on the grounds that they would reveal relevant information about the company's performance which could not otherwise have been discovered—pretty well—from the accounts. The reasoning is rather that without some adjustment for gearing or monetary items, the profits shown will be unduly depressed, as the "benefit" to a company from owing money in a time of inflation will not be sufficiently brought out.

It is true that some companies will want, and be able, to borrow more money or obtain additional credit to help finance the increased cost of stocks and depreciation; therefore, they could well distribute more than their profit after the cost of sales and depreciation adjustment. One example might be a retail company selling goods received on trade credit. The problem of financing the stock may effectively have been taken over by their suppliers; so that the retailer does not need to deduct a cost of sales adjustment from his historic cost profit.

It is also true that a company which did not increase its borrowings, but whose assets increased in cash value as a result of setting aside the full cost of sales and depreciation adjustment money would alter the gearing ratio between its debt and its equity capital. The increased cash value shown in the balance sheet would all be attributed to equity.

Thus I certainly expect there to be some companies which will wish to show the gearing adjustment calculation, or something like it, in explaining how much they propose to distribute.

Some reservations

I do not think that CBI member companies have any general wish to understate their profits, any more than to overstate them. Why then must reservations be felt about this approach?

First, it is simply because there has not yet been a considered, formal proposal from the accountancy profession for the gearing adjustment. Each of the three variants outlined above comes from a respected source, and their practical effects would differ widely.

Second, because any of the proposals seem likely to produce anomalous results in a number of cases.

Let us look at some of the possible anomalies. There is the question whether the calculation should distinguish between long-term liabilities, such as debentures, and short-term liabilities, such as trade credit received. If it does, then the profits shown would depend partly on these financing arrangements, although in reality trade credit shades into bank overdraft which in turn shades into medium term loan and then into debenture capital. A company which—say—raised a medium term loan and used it partly to pay its suppliers more promptly or to repay an overdraft would show a fall in current monetary liabilities, and so a change in the size of the cost of sales and depreciation adjustments. Its "profits" would be affected, not by whether or no it was a good business move, but by a change in the cost of sales and depreciation adjustments.

If, on the other hand, there were no distinction between short- and long-term monetary liabilities, as in the London society's proposals, other problems could arise.

Then there is the question whether the gearing ratio used should be between equity and monetary liabilities (debt) or between equity and net monetary liabilities. If the former, then consider the case of a manufacturing company deciding to expand into a new line of business, and borrowing money to do this, which it invests in financial assets until it is needed. This will alter its debt: equity gearing, but why should it be thought to have any relevance to the need for a cost of sales or depreciation adjustment on the company's main activities?

If on the other hand the ratios to be used were that between equity and net monetary liabilities, as the London Society proposes, other anomalies could arise. Any change in the company's monetary assets would alter its net monetary liabilities, and hence alter the ratio and the cost of sales and depreciation adjustment. Suppose it bought stocks for cash: the reduction in the monetary asset (cash) means that net monetary liabilities would increase. The ratio to equity would likewise rise, and the proportion of the cost of sales and depreciation adjustments made would fall. Whether or not the absolute amount of the cost of sales adjustment fell would depend on the price increases of the new stocks compared with the other stocks. If the company bought land, then the cost of sales adjustment on stocks would surely fall—though there is no practical connection between these things. Or suppose that the market value of any financial assets held were to change: this would change the net monetary position, and hence change the cost of sales and depreciation adjustments—although there is no connection in fact between these matters.

More generally, it does not seem sensible that changes in the form in which a company holds its assets—between, say, cash, debtors, stocks, investments—should control the size of the provision for depreciation and for the cost of sales.

And consider the case of the nationalised industries. The Electricity Council, for example, has no equity capital—it is 100 per cent. financed by debt. The gearing adjustment whether in terms of gross or of net monetary liabilities would therefore obliterate the cost of sales and depreciation adjustments—the accounts would continue on an historic cost basis, and the nonsense would be perpetuated.

So the danger of possible anomalous results is the second reason why I feel there must be reservations at this stage about the gearing factor adjustment.

There is another major consideration to weigh, however, apart from possible anomalies. Essentially, this is which of two alternative broad concepts is better regarded as profit. One is the amount of money which can be distributed (or paid in taxes, etc.) by an ongoing business without running down and without going to outside sources of finance: the money generated within the business. The other is the amount which can be distributed by the business if it raises enough external finance to maintain the ratio between debt and equity in the balance sheet. There is no right or wrong answer to questions of this sort; it is a matter of weighing up which of the two definitions is most likely to help, rather than mislead, users of accounts.

Impression

I do not want to give the impression that I think the CBI will necessarily oppose any gearing factor adjustment, whatever it is and however justified. The possible anomalous results of an adjustment for gearing may all be dealt with by the ASC's proposal when we have it; and I hope to have made it plain that there are indeed circumstances in which some such calculation will be made. But at least until we have a considered reasoned proposal whose practical consequences and justification have been assessed, doubt must remain about whether any single adjustment will be appropriate for all companies.

Certainly, however, any doubts or reservations about the gearing factor should not obscure the warm welcome and support which the CBI has given to the accountancy profession's work in evolving a more meaningful system of company accounts.

The views expressed in this article are personal and not necessarily those of the Confederation of British Industry.

Systems and unrest

COMPANIES will not necessarily improve labour relations by setting up formal systems and procedures to deal with disputes according to a study which forms the basis of a book just published, called Management Characteristics and Labour Conflict.

The study sought to connect managerial characteristics with the labour conflict experience of individual companies. To achieve this, a detailed assessment was made of the management of 45 enterprises, covering six industries. Many had strike-prone plant and faced a variety of economic, regional, technical and other circumstances.

The authors say that while external factors are obviously important in labour unrest, "there is still a wide range in which managerial practice and organisation for industrial relations has a considerable effect." It is also asserted that "few of the conventional prescriptions for industrial peace are supported by the evidence."

Thus, the book says that there is little to support the supposed benevolent effect of employing specialist labour relations staff, and by processing disputes through formal conciliation procedures a company may actually increase the incidence of stoppages.

Management Characteristics and Labour Conflict, by H. A. Turner, Geoffrey Roberts and David Roberts. Cambridge University Press, price £4.50.

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Tuesday September 27 1977

Living with dilemmas

A BAD fairy has been presiding over the world economy for the whole of the 1970s. The decade has been characterised by levels of both inflation and unemployment far higher than were considered acceptable in the 1950s and 60s.

Even in those better days, measures taken to boost activity and employment raised the inflation rate. Containing inflation exacted a price in higher unemployment.

This basic dilemma is now even more difficult than the old established problem of getting the timing of Government intervention right so that it does not make economic fluctuations worse.

Failing a real solution, politicians and central bankers have naturally concentrated on whichever symptom has most recently been more worrying. A case can be made for long-term fiscal and monetary targets designed to prevent prices accelerating any further in the long run. This might well be no worse for unemployment, taking one year with another, than conventional demand management and might give a chance for more far-reaching measures to improve the working of the labour market.

The meeting of the "summit" Finance Ministers in Washington at the end of the week to discuss structural unemployment is potentially a step in the right direction.

Not surprising

But elected politicians are rarely in a position to take one year with another and have to remember that in the long run they are all out of office. It is therefore not surprising that faced with a disappointing world recovery. Finance Ministers should give pride of place to "reflation" as they did in a similar conjuncture in 1971-2. In the British case, the balance of payments is strong and sterling is experiencing upward pressure. This was also the case in 1971, but on this occasion there is the benefit of North Sea oil as well as domestic financial restraint.

It is against this background that the IMF's Managing Director. Dr. Witteveen, is not merely supporting but urging expansionary measures in the U.K. It is true that the British inflation rate is still above the world average, but the IMF as a creditor body is likely to give precedence to balance of payments considerations over domestic price stability if the two point in different directions. Mr. Healey would probably prefer to wait until the Budget, so that he can see how wages have moved before deciding how far to go. Even then, however, there will still be the conflict between the monetarist school, which regards low wage settlements as themselves employment-boosting, and the orthodox forecasters who see them as contractionary and a reason for providing a budgetary stimulus.

Main emphasis

In the meanwhile the short fall of the public sector borrowing requirement below that forecast in the 1977 budget gives the Chancellor some scope for relaxation without a change in strategy. If Mr. Healey still wants to keep to his monetary guidelines, fiscal relaxation will affect interest rates, which even if they do not rise will fall less than they otherwise would. Accepting this as the lesser evil, the question is what his priorities should be when he will not have more than £750m. or £1bn. at his disposal within the planned CSBR.

It is tempting to suggest VAT reductions to reduce prices at a stroke. But the direct tax burden is just as much a source of wage push and is felt more intensely. As a 1p reduction in the basic rate costs £500m., it would be difficult to combine worthwhile income tax reduction with a public spending boost. So while it might be possible to re-examine the more disruptive capital spending delays by the public sector, the main emphasis should be on direct tax cuts, over and above the indexation of the tax thresholds which Parliament has already voted and cannot therefore be counted twice over.

Middle East simmers down

TWO EPISODES in the past few days suggest that the chances of a Middle East peace settlement should not yet finally be written off. The first was the decision by the Israeli Cabinet to accept a Palestinian presence at a resumed Geneva Conference. The second has been the attempts to achieve a cease fire in Southern Lebanon. Neither is sufficient in itself to warrant any great optimism, but both seem to indicate that the parties involved are wary of allowing the climate to deteriorate any further. Above all, there are now signs of a much more active U.S. engagement in the negotiating process.

Concessions

The Israeli decision is remarkable if only for the fact that it appears to be the first time that the Government of Mr. Menahem Begin has seen it necessary to make any public concessions whatsoever, either to the Arabs or to the Americans. It is true that the decision is heavily qualified: there are no concessions to the PLO as such, nor even to known members of that organisation. There is not even, as yet, a disposition to negotiate with non-PLO Palestinians, except in so far as they form part of the Jordanian delegation. Nevertheless, Mr. Begin and his colleagues had not moved even this far before, and it is notable that they seem to have been responding to an American plan that had already been discussed with the Arabs. Since the Arabs themselves — and even the PLO — are still by no means sure quite how the Palestinians should be represented at Geneva, the Israeli decision must be taken as a positive step. Mr. Begin has shown a flexibility that was not apparent only a few weeks ago.

The significance of the cease-fire in Southern Lebanon, even if it does not hold, is that events that once might have been taken as an excuse for breaking off even the pretence of negotiation have been contained by a seeming readiness on all sides not to let the situation get worse. Last week Israeli forces moved into Lebanese territory at the very time when Mr. Moshe Dayan, the Israeli Foreign Minister, was holding talks with President Carter in Washington. To many of the parties involved that must have seemed an outrageous provocation, confirming the worst suspicions about Mr. Begin's intentions. Yet far from there being an escalation of the fighting, it looks as though an agreement has emerged limiting the activities of both the Lebanese Christians, whom the Israelis support, and the Palestinians. (It was the fear that the Palestinians were getting on top that led to the Israeli intervention.) Again, there was active American participation in the mediation.

It is too early to conclude either that the situation in the Lebanon will hold, or that the Geneva Conference about the wider Middle East conflict will now take place—and still less that it will be successful, if it does. What one can say, however, is that recent events have demonstrated an awareness among all major parties of how much they have to lose if the search for a settlement is abandoned. Mr. Begin, for all his bravado and talk of going it alone if necessary, has chosen discretion and made a concession to the Americans. President Assad of Syria, who earlier this month was talking about a return to a war of attrition should diplomacy fail, is still evidently prepared to use his influence to contain the Palestinian extremists. He may have his own reasons for doing that, but so far at least his intervention in the Lebanon has been benign. Besides, both he and President Sadat of Egypt must know that another Middle East war would mean an end to the chances of economic development for perhaps a decade. Equally, they have to produce results in the form of a negotiated settlement and their time for that is not unlimited, but they seem to have decided that, for the moment, it is still worth trying.

Message

As for President Carter, the U.S. has as much to lose as anyone from a renewal of the conflict—whether in the form of a threat to oil supplies, new strains in the Atlantic Alliance, or, possibly, a further disruption of relations with the Soviet Union. The increased American activity in recent weeks suggests that the message has been taken fully on board.

The AUEW's next president will have more to fight than political battles. **Alan Pike reports.**

Structural problems in the second largest union

Mr. Bob Wright (left) and Mr. Terry Duffy (right), the major candidates in the AUEW election. Mr. Hugh Scanlon (centre) registers the engineering section's vote at the TUC as members of his delegation protest.

ELECTIONS ARE in progress this month to choose a new leader for an organisation the very name of which, the Amalgamated Union of Engineering Workers, seems almost to mock reality.

Britain's second largest union is neither amalgamated nor united and it has a structure which ensures that it frequently demonstrates to the full its lack of both qualities in public. The vision of Mr. Hugh Scanlon, disowned by his own delegation, holding up his TUC voting card in support of the 12-month rule while leaders of two other sections of the amalgamated union were voting the opposite way was a far from unique illustration of the AUEW's domestic difficulties.

There is no other union of comparable size and importance which is quite like the AUEW. Its highly-developed system of democracy can, according to taste, be regarded as exemplary or arcane but it can never be ignored. The rule that all full-time officials must face periodic re-election, first after three and then every five years, for most of their careers gives a perpetual political dimension to every aspect of union activity.

Left and right-wing groups have grown within the union with all the dedication and organisation of minor political parties and the struggle for power between them dominates AUEW decision-making bodies at all levels.

This shows clearly in the present crucial campaign to succeed Mr. Scanlon as president of the union. Left and Right caucus meetings selected their candidates earlier in the year and few AUEW members will expect that a man without the backing of one of the two powerful political machines could make his way to victory. It is a commentary on the nature of the campaign that apart from the "official" candidates of Left and Right only two of the ten contenders—those representing the Socialist Workers Party and the Workers Revolutionary Party—have troubled to provide the members with an election address.

There is, however, a familiar name among the six silent candidates. This is Mr. Roy Fraser, the articulate toolmaker from Oxford who earlier this year led the Leyland Cars toolroom strike which took the company to crisis point and who is threatening to repeat the action next month. Although Mr. Fraser has not set out his reasons for standing in an election address—because, he says, of an administrative misunderstanding—the appearance of his name on the ballot paper is a pointed reminder of some of the problems and stresses facing the AUEW.

Mr. Fraser and his skilled toolmakers are concerned about the decline in craftsmen's differentials and their chosen method of rectifying this in Leyland has been to push for separate company-wide toolroom negotiations. This approach is not only unacceptable to the company, which fears that it would encourage similar claims from other groups, but is a challenge to the AUEW procedure of pursuing pay matters not in isolated groups but through its districts.

While accepting a co-ordinating role for district committees in a large union Mr. Fraser is arguing that there must be recognition of combine committees within companies. He says he is concerned about the "division between the bureaucracy, which runs the union, and the shop floor" and believes that procedures must be changed to bring negotiators closer to those whom they represent. He even admits that there is "something to be said" for the system of industry by industry organisation which operates in the rival Transport and General Workers' Union.

Geographical lines

Because its administrative and power structures are organised on geographical lines, the AUEW has no equivalent to the TGWU's trade (industry) group system, nor to its system of specialist officers for individual industries. As a result executive members and other officials have to carry an enormous portfolio of responsibilities for the entire range of industries in their area.

While men like Mr. Fraser firmly reject the view that there should be a separate organisation for skilled engineering workers—in spite of the fact that the unofficial Leyland toolroom group has now developed contacts with similar craftsmen elsewhere in the motor and components industries—it cannot be denied that the AUEW's constant need to balance the interests of its skilled and unskilled members can cause frictions.

Skilled men like the toolmakers are sometimes accused of being élitist by other workers, while the skilled groups complain that their special interests are either overlooked or outvoted. The last Leyland strike demonstrated that the AUEW executive had lost all control of its members in the company's toolrooms and both official union instructions and anxious appeals failed to persuade them to return to work. Other skilled AUEW members were unhappy at the way the executive—which at one stage was prepared to see the company resume production without the toolmakers—handled the dispute and Mr. Scanlon and his colleagues can be expected to make every possible effort in the coming weeks to prevent a repetition of those miserable days.

However, if there are frictions within the AUEW engineering section the difficulties facing the amalgamated union as a whole are far worse. The man who succeeds Mr. Scanlon will be president of both the 1,168,000-strong engineering section and of the amalgamation—the engineering section plus the technical, administrative and supervisory section (TASS) the constructional section and the foundry section, which have a combined membership of 242,000.

What used to be called the Amalgamated Engineering Union (AEU) merged nine years ago with the foundry workers in a style which was to have divisive consequences. Instead of disappearing without trace into the bigger union, as is often the case with mergers, the foundry workers—and TASS and the constructional section when they joined two years later—have retained the status of autonomous bodies. Now, with the AUEW seven years old, each of the four sections still retains its own officials, executive, rule book, head office and financial and organisational structure.

Apart from adding the AUEW symbol to their notepaper the four sections have, in effect, laboured on as though amalgamation had never happened. The three minority sections have been encouraged to feel part of the parent body by joining an amalgamated executive and taking part in an annual national conference. But the first body has devoted much of its energy to an interminable and unsuccessful search for a formula to make the amalgamation a reality, while the second has failed even to reach agreement on the issues which it should discuss.

The original and still unremoved obstacle to real amalgamation came from the engineering section's determination that its style of democracy—particularly the regular re-election of all officials — shall prevail throughout the union. Officials of TASS are now appointed on a permanent basis and the search for a compromise has grown more difficult in recent years as the Right-wing of the engineering section has become increasingly wary of the possible influence of the Left-wing TASS, and of its strong-spirited Communist general secretary, Mr. Ken Gill, within a full amalgamation.

However, stimulated by fear of the consequences, efforts to resolve the stalemate about full amalgamation are now going ahead with renewed vigour and urgency. Yet more compromise proposals have been raised at the amalgamated executive; and a special national conference to try to iron out some of the difficulties has been called for November.

The sudden action originated, in large part, from the merger talks now taking place between the General and Municipal Workers Union and the Boilermakers Amalgamation. It had always appeared to the engineers that the boilermakers, with their craft traditions and similar structure, were a natural candidate to join the AUEW. To lose them to a general workers union would be equal to the blow delivered to the engineers' pride—and effectiveness—when they lost the coveted National Union of Vehicle Builders to the transport and general workers five years ago.

AUEW leaders, believing that the Boilermakers Amalgamation's 128,000 members may not endorse a partnership with the general and municipal workers in a ballot, have put in a counter-bid and have also written to other unions throughout the engineering industry suggesting merger talks. It has been stressed that any future amalgamations would be on a direct take-over basis— there will be no more separate sections—and there have already been preliminary exchanges with one of the biggest potential prizes of all, the 420,000-strong Electrical and Plumbing Trades Union.

But the AUEW leaders are aware that no serious progress can be made in talks with fresh unions until the problems of the existing quasi-amalgamation have been resolved. And there will have to be further heart-searching about the insistence upon periodic re-election if officials of unions who now have security of tenure are to be persuaded to join.

The two major candidates in the present election, Mr. Terry Duffy for the right-wing and Mr. Bob Wright for the left, are old adversaries. Mr. Duffy, 55, formerly assistant di[…] organiser in Birminghar[…] the West Midlands an[…] chester executive seat fr[…] Wright in 1975. From a p[…] which his long career[…] union might have been[…] end Mr. Wright, 56, succe[…] fought back to become a[…] general secretary.

As is to be expecte[…] candidates give attention[…] policy in their e[…] addresses, with Mr. Duff[…] ing that over the past tw[…] the trade union moveme[…] had no alternative but[…] operate with the Governr[…] combat inflation, and Mr.[…] demanding an end to[…] trols. But, although bo[…] to the amalgamation[…] neither mentions the[…] structural reform with[…] union to which Mr. Prese[…] attention.

Personal security

This is, perhaps, to[…] pected from men who are[…] selves very much produ[…] the AUEW system. Critic[…] union's devotion to perio[…] election—from which[…] other aspects of its st[…] descend—sometimes ot[…] the extent to which it[…] fended by men on both[…] and Left who, in terms o[…] sonal security, would have[…] to gain from seeing p[…] accountability to the m[…] ship reduced.

Other criticisms are[…] times made of the electi[…] tem and the two-faction[…] ture which has develope[…] it. One is that membe[…] compared with those in[…] other unions, more con[…] with voting for the faction[…] than the personal qualit[…] the man. Another—frec[…] heard from the left-wing[…] the replacement of[…] voting by a postal ballot[…] members can be subjec[…] unreasonable influence b[…] the Press and campaign[…] organisations outside the[…] But defenders of re-e[…] stress the importance of[…] being chosen from and[…] able to the membership[…] that the system gives[…] officials an authority whi[…] come only through r[…] accountability.

However, officials of[…] unions tend to believe tha[…] version of democracy is su[…] to all others and wi[…] occupies Mr. Scanlon's[…] when he retires this time[…] year—it will almost cer[…] need a second ballot next[…] to determine the winner—[…] likely to have got the[…] initiating a major debate[…] internal structures of[…] AUEW. Union stru[…] change slowly, and for[…] years to come the AUE[…] likely to continue resembl[…] religious movement, fer[…] founded on the highest[…] which occasionally loses[…] amid doctrinal complexiti[…]

MEN AND MATTERS

Rumblings in Reuters

The resignation of Reuters editor Jonathan Fenby and a re-organisation of the top level executive committee has caused a stir in Fleet Street. Fenby, a 34-year-old former foreign correspondent, only took up the job three years ago following the surprise resignation of former editor Brian Horton.

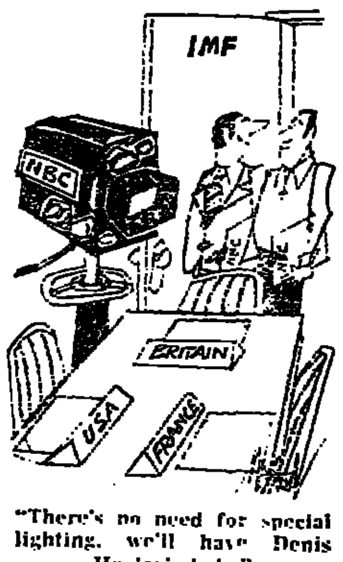
His removal has revived fears that Reuter, which has expanded aggressively and successfully into supplying economic and financial news and market information through a sophisticated range of electronic devices, was about to downgrade the general news service. It was this service that originally made Reuter's reputation for fast, accurate and impartial reporting.

The shake-up also revived rumours that Gerald Long, the autocratic managing director was contemplating stepping down after 14 years in which Reuter's turnover has risen from £2.7m. in 1963 to £41.9m. (profits £2.7m.) last year.

Long himself is out of the country so I sought a comment from Michael Nelson, whom insiders report as the real mastermind behind Reuters leap into electronic financial services.

Long has tended to see himself increasingly in a sort of elder statesman role leaving much of the day to day work to his two deputies, Michael Nelson in London and Glen Renfrew who heads the important North American operation.

Nelson dismissed the rumours. "Jerry Long continues very much as MD and Reuter has no intention of reducing its activities in the news business," he said. A formal statement will be made to-day announcing the appointment of a new editor who will co-ordinate all Reuters general and economic news reporting. He will report directly to the managing director but will no longer be a member of the executive committee which is being reduced in number from eight to five. Did this not imply a downgrading of the news side, I asked. Nelson insisted that "on the contrary it frees him from involvement in general administration and direct accountability to the MD reflects the importance we attach to it."



"There's no need for special lighting, we'll have Denis Healey's halo."

Rich soil

Would you like to know how to build up a million dollar business in two years on the basis of $2,000 worth of chemicals used in kitchen sink experiments and a machine costing $17,000? Then read on.

It all started in April 1974, when 26-year-old Stanford University business student Charles Lockerby accidentally drowned his third potted plant and went to his local nurseryman to find out how to avoid alternately drowning or dehydrating his indoor garden. He found out that was a big question—given that the average American household possesses 7.2 plants — and there are over 100m. American households.

The answer was "yes," if one was prepared to spend $14 for a fairly complicated hygrometer.

Lockerby decided there and then to try to make a cheap, simple moisture meter. His first idea was to make this his business school project — but when preliminary market research revealed a huge potential market from nurseries, supermarkets and from what is known as "the premium business" his professor told him forget the theory and get on with the practice. This solid American approach was backed up by leaking the story to the major newspapers, which beamed it nationwide — leading to Lockerby finding himself inundated with orders for a product which only existed in embryo.

Then followed two years backroom research, culminating in a narrow green strip of plastic-covered, chemically treated cellulose, which could be produced and packaged cheaply by sticking it on to a small plastic stake ready to be pushed into a plant pot — where it would read "moist" until the water ran dry.

From this flowed an initial $400,000 order from Chevron oil for distribution through its 23,000 outlets and a mass of other enquiries from supermarkets, banks and—potentially the most rewarding of all—the "premium" of giveaway trade.

"But how do you propose to fight off the surely inevitable competition?" I asked Lockersby in London last week-end. He had appointed a U.K. agent at last week's Wembley Premium Fair and was about to fly to Japan and Australia to tie up Asian distribution. No problem, he said, as costs are unbeatably low. His entire production equipment consists of a machine the size of a desk perfected by his partner, product-engineer and former Stanford classmate, Scott Dimmick. It produces the chemically-impregnated sticky-back strips of cellulose and cuts them to size. The strips are then stuck on to the small plastic stakes and packed for distribution by a labour force of 150 pensioners, disabled persons and paroled juvenile delinquents in a San Francisco packaging plant.

This was originally set up by two young San Francisco housewives as a food packaging co-operative to provide jobs, self-help, dignity, and cheap food, for the otherwise unemployable. It looks like a classic case of Adam Smith's "invisible hand" at work.

Hearts and minds

Judy Clother faced an awkward moment last week in her office in Knightsbridge, London. She was interviewing a titled divorcee in search of a new husband when a dusty technician, just back from the desert, arrived in search of a new job. "Running a marriage bureau and a recruiting agency for electronic engineers from the same premises can call for quick thinking," says Judy.

She moved into the lonely-hearts business when the recession knocked the bottom out of her recruiting agency. Probably the bestknown supplier of electronic engineers in the country, she has been at it for 16 years and once kept several of them on her own staff. But two years ago, when left with one assistant and about to go broke, Judy began her marriage bureau.

In spite of keeping "up market" and advertising in such places as the Tatler, she sees the marriage business as something of a jungle. On the other hand, she is pessimistic about finding electronic engineers for companies in Britain. "The younger men just won't stay here," she says. "They don't get offered enough and go off to places like Saudi Arabia."

Observer

FINANCIAL TIMES SURVEY
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Industrial Property

New industrial property development is still plagued by rising costs and comparatively low demand—but there is evidence of growing institutional investment, and the yield gap between industrial and commercial property is narrowing.

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ırrespondent

HAS an impact on it does on any other ıd over the past two strial property has ıblished itself among leaders in an invest- et where buyers still ly among the debris -74 property crash.

m of that crash was ınal assumption that ıd warehouses ranked : relations of offices. buildings may not glamour of an office t comparative figures : rental growth over lecade have an un- tortoise and hare ɔut them, a quality l in favour of the ortoise by the weak- ce rents in the past

nal investors adopt- :hion for industrials have bid down initial purchasing yields for modern, well located factory and warehouse space from 9-9½ per cent.—a level reached when interest rates peaked at the turn of the year —*to a new record low of below* 7 per cent.

In their annual property investment report, published earlier this year, surveyors Richard Ellis noted the keen *demand for industrial* investments and reported that the content of institutional property funds was *changing materially.* Ellis noted that average funds with proportions of around 50 per cent. office properties, 35 per cent. shops and 15 per cent. industrials, were now looking for a balance of 40:30:30.

One effect of this buying pressure has been to make speculative development funds more freely available to the established contractor development groups and to the specialist industrial development companies. It has also helped narrow, if not completely erode, the historic yield gap between industrial and commercial investments.

Arguments for and against the maintenance of this 1½ to 2 point yield gap in favour of offices throw light on a critical question about the current fashion for industrials. Is demand for this space merely a reaction to the temporary weakness of the office market, or does it represent a permanent re-assessment of a long devalued section of the property *industry?*

Those who argue in favour of maintaining the yield gap base their case on two assumptions. First that there is the danger of more and longer void periods on an industrial portfolio. And secondly, that a discount is necessary to take *account of the shorter physical* life of an industrial building.

The void argument carries considerable weight at a time when industrial production has been unable to rise above the level of output recorded during the period of the three-day week, and when unemployment is at its highest rate for 40 years. True, there are plenty of empty offices in London and *the provinces. But yield gap* enthusiasts counter the comparison with the view that the *virtual cessation of new office* building in recent years puts a block on the supply side of an equation in which demand is steadily recovering. As office space is taken up rents, therefore, should be pressed higher by the simple mechanics of supply and demand.

Pressure

The yield gap lobby assumes no comparable supply pressure underpinning future rent growth and occupancy levels in the industrial market.

They point out that programmes for advanced factory building sponsored by the Government through the English Industrial Estates Corporation and its regional equivalents, and by local authorities as part of *inner city renewal* plans, are creating increased competition to private sector development. That competition eases the potential supply problems, while the far shorter development lead time for both public and private sector industrial buildings—made shorter still by the relaxation of planning controls—means that supply can more rapidly match demand than in the office market.

The void argument sounds very persuasive as a broad brush analysis of industrials against offices. But it tends to ignore the fact that institutional shopping lists do not include multi-storey mills in the *Midlands and the North* lung abandoned to industrial archaeologists.

There is a clear imbalance of supply over demand for industrial property in the country as *a whole. But that imbalance is* very fine for modern space in the stronger areas for potential *industrial growth and particu*larly in the South East. The London Chamber of Commerce *has warned* that the shortage of modern factories in the South East "could seriously delay any economic upturn."

Demand for development land in London and the Home *Counties has pushed well* located industrial estate sites back through the £100,000 an *acre level. And prime, motor*way linked warehouses within London's orbit now command *rents of around £2 a square* foot, an increase of around a fifth over the past 12 months.

Although there are similar examples of local space shortages around the country, the sluggish pace of national industrial production has in general delayed the long expected firming of industrial rents. But, outdated and now generally unlettable space apart, the delay does not give more than temporary support to the yield gap protagonists. And their use of *general void levels* without distinguishing regional and building quality variants is an *argument that cuts two ways.*

Risk

A strong general case could be made to support the view that a single large investment in an office property carries with it a greater risk of an eventual void than a range of industrial premises acquired *for the same amount.*

Assumptions about the comparative quality of industrial and office rents are also open to question. Employment shakeouts over the past few years have not achieved the hoped *for redeployment of staff from* fringe clerical, to direct production work. It is still far easier *for companies to sack factory* workers than to sack headquarters staff in unproductive, *but well-entrenched paper em*pires. However, logic, if not current British commercial *practice, would tend to suggest* that the last thing to go in an industrial slimming process will be the factory or warehouse.

Industrial buildings undoubtedly have a shorter *physical life than offices.* But is this really as critical a factor in judging the relative investment appeal of these two media as the yield gap advocates believe?

In the past decade most industrial estate developers have been able to let space with the full repairing and maintenance costs left as the tenants' responsibility. In these cases there are none of the major refurbishment costs associated with office blocks.

Changing industrial building design has evolved simple, single-storey shells which can *be relatively cheaply converted* to factory, part office or warehouse use. And the only really critical factor in the physical life of a modern industrial estate is its location. If it is not subsequently by-passed by industry, a flexibly designed estate must compare well in depreciation terms with any comparably expensive office.

The relative simplicity of modern industrial space lies behind a number of other qualities it does not share with its commercial counterpart. For one thing most companies will have invested more equipping a factory than in the building *itself, making factory tenants at* least far less likely to move premises on cost-saving grounds *than office users. The factory* tenant is also less likely to fight rent increases in face of gener*ally higher overheads. Rates,* which now make up over 50 per cent. of office space costs in *Central London and between 25* and 40 per cent. of provincial office costs, may act as a depressant upon the recovery of commercial rent levels. But where rent and rates combined account for only a small portion of overheads, as in most *factory budgets, this worrying* increase in space costs is unlikely to have the same impact.

Institutions conscious of the need for flexible industrial building design have tended to cramp the style of developers by insisting on a building that can be made everything to all men. High eaves, with 16, 18 and occasionally 22 foot clearance give the institutional investor the assurance that if a factory tenant leaves it will be possible to convert to warehouse *space. But for that poor factory* tenant the acres of empty space above his head needing heating and *giving* his staff agoraphobia, can be irritating. For the developer, false ceilings to counter that irritation can add £1 a square foot to building costs and take that £1 from his development margins.

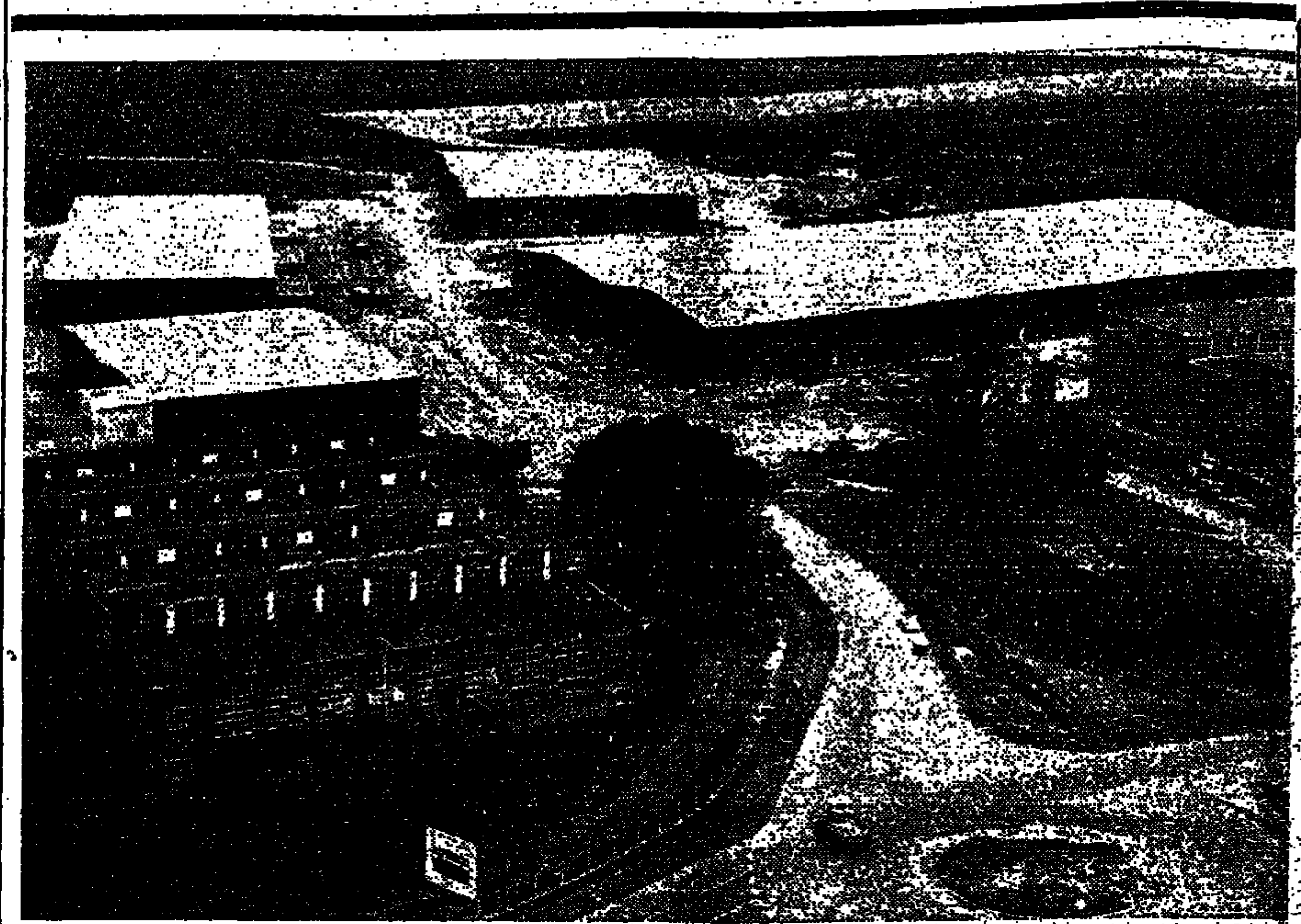
Enthusiasm

But institutions' initial, indiscriminate enthusiasm for industrial property is mellowing into a more selective and reasoned appraisal of this section of the property industry. At a time when office schemes were synonymous with cartoon characters of grasping property men, when Lord Stokes could complain that a single City of *London office block was, on* paper, worth more than British Leyland, institutional fund managers began to appreciate the politically acceptable face of industrial schemes. Times have changed, and the direct political attacks on property *have been muted.* But while the direction of institutional investment remains a serious subject for political debate, the generally good public image of industrial development is still a potent influence in the market.

That influence, which has been brought into sharper focus by the Government's recent policy statements on the need to encourage industrial development, ensure a progres*sively closer relationship* between institutions and the industrial market.

In the meantime, as localised demand puts pressure on site costs, there is also a countrywide move for contracting bills to more accurately reflect increased building costs. Contractors have been willing to tender for work on paper-thin profit margins, and occasionally at a loss, in order to keep workforces together through the recession. The major contractor-developers and industrial development companies with their own building teams may be able to cushion the impact *of higher costs for a time.* But the subsidies are already running out for developers without *such financial muscle.*

As rocketing material costs start filtering through to construction charges, private industrial developers are being pushed into the same boat as *their commercial development* colleagues. Both are now having to shelve schemes until rental growth is sufficient to make the mathematics of development viable again.



A large industrial estate being developed by Vickers adjoining their private airfield at South Marston, nr. Swindon.

Prospects for recovery

THE PROSPECTS for industrial development have improved in recent months and a recovery is now clearly under way. But there is still considerable uncertainty about the extent of any pick-up in view of the growing doubts about the large projected rises in manufacturing and distribution investment as a whole during the next 18 months indicated by the various intentions surveys.

The short-term picture is reasonably encouraging. Figures published by the Department of the Environment last week indicated that new orders for private industrial work between May and July were 12 per cent. up on the previous three months in terms of constant 1970 prices and adjusted to exclude normal seasonal variations. The improvement is even more striking when comparison is made with a year ago; this indicates a rise of 43 per cent.

The recovery is, of course, from a low base and orders for private industrial work are still running at below the average level in 1973. The extent of the pick-up so far in private industrial orders is, however, in contrast to the much slower recovery in private commercial orders where the May to July level was 14 per cent. higher than a year ago.

Orders

The rise in new orders for private industrial work is consistent with the previous pattern where industrial development activity has tended to move closely in line with the business and investment cycle in the economy as a whole. Thus the ups and downs of the early 1970s economic cycle were reflected in a drop in new orders obtained by contractors from a late 1960s peak of over £600m. down to £417m. in 1971 and back up to a high of £591m. in 1973 (all expressed at constant 1970 prices).

There has been a very sharp decline since then with new orders down to £306m. in 1975, a low for the period since 1963. The low point was in the final quarter of that year, only a few months after the turning point for industrial output and Gross Domestic Product. The recovery last year was, however, fairly modest with a rise in new orders of only a sixth to a level of about three-fifths of the 1973 peak.

There has been a similar pattern in the approval of Industrial Development Certificates. These are necessary in order to make a planning application to cover building, rebuilding, extension, alteration and change of use above a certain size, which varies throughout the country. Approval of IDCs has moved in a broadly cyclical way with a peak of 83.34m. square feet being granted in 1969, falling to 46.55m. square feet in the recession year of 1971. This was followed by a sharp recovery to a peak of 85.42m. square feet in 1973. But this was followed by a decline to only just under 36m. square feet of space approved in 1975.

There are relatively short time lags between the receipt of new orders for private industrial work and the actual building. Consequently fluctuations in the new order intake have been fairly closely matched by variations in total output. The cycle has been less marked, however, both because of the inability of contractors to fulfil orders immediately when inquiries are at a peak and a desire to spread out work when demand is slacker.

Private industrial output rose from £501m. in 1967 to about £650m. in both 1969 and 1970 before declining to £605m. 1972. The peak came, as usual, about a year after the peak in orders with a total of £631m. in 1974. This was followed, during the recession, by a decline in private industrial output to £585m. in 1975, and the fall would have been much larger but for a continuing rise in work on off-shore platforms associated with North Sea development. However, this work fell back last year so that total output dropped by around a further tenth.

The partial recovery in new orders apparent last year—especially during the second half and accelerating in recent months—has not yet been translated into a significant recovery in actual output. The most recent forecasts produced during the summer by the joint forecasting committee of the building and civil engineering Economic Development Council projected a 3 per cent. rise in output this year in real terms with a 7 per cent. recovery in 1978. This is in contrast to the forecasting committee's projection of a sharp fall in public sector construction work after the series of expenditure cuts and the continuing "abysmal" prospects for the private commercial sector.

The medium-term prospects for private industrial work will depend in large part of the extent of the general recovery in investment. So far this has turned out to be smaller than indicated by most forecasts and intentions surveys. Capital spending by manufacturing industry in the first half of this year was only just over 2½ per cent. higher than the average for 1976. The rise in spending in 1977 indicated by the Department of Industry's investment intentions survey has been steadily revised down from the increase of 15 to 20 per cent. projected a year ago. But the May survey still pointed to an increase of between 6 and 10 per cent. this year, and the CBI remains slightly more bullish with a range of 10 to 15 per cent.

Review

The National Institute of Economic and Social Research in its review a month ago suggested that the upturn in investment was likely both to be later and smaller than previously projected with a forecast rise of 5 per cent. this year and 10 per cent. in 1978—well below the increases of 15 to 20 per cent. in 1978 indicated by the two main intentions surveys. The recent Bank of England Quarterly Bulletin was also more cautious suggesting that increases of this size "may well prove too optimistic, given what has already happened in the first half of this year and that slow growth of demand, considerable spare capacity, low real rates of return and uncertainty about the future path of wage and price inflation are likely to persist."

Moreover, it is arguable that the upturn in industrial development is unlikely to be nearly as large as the projected rise in manufacturing investment. This is partly, as the Little Neddy report earlier this year suggested, because there is no shortage of industrial buildings, even though some may be unsuited to modern production methods.

It is also possible that in the present economic situation the bulk of the increase in manufacturing investment may be in plant and machinery rather than new buildings. This is because the return is more certain and quicker comp[ared] with the greater risk [and] financial commitment inv[olved] in creating extra capacity [by] spending on new processes [and] new buildings.

Expenditure on plant [and] machinery tends to re[cover] earlier in the economic [cycle] than investment in new [build]ings while there has been a [long-]term decline in the shar[e of] construction in fixed [capital] formation by manufact[uring] industry. The share was over 22 per cent. in 196[?] had fallen to 18½ per cen[t. in] 1970 and to 17½ per cen[t. in] 1975.

The underlying declin[e in] private industrial work, after allowing for the cyclical variations, is also [shown] by a drop of more than [...] cent. in private industrial o[utput] in real terms between the [peak] year of 1969 and 1973 dur[ing a] period when Gross Do[mestic] Product grew by over a te[nth].

The prospects for invest[ment] in distribution are also especially bright, accordi[ng to] the National Institute, wi[th in]creases of 3½ and 7¼ per [cent.] projected in real terms for [1977] and 1978 respectively.

Overall, while a recovery definitely appears to [have] started, the pick-up seems l[ikely] to be steady rather [than] dramatic. It is impossib[le to] estimate how much of this will be undertaken by pro[perty] development companies. Re[ports] from the clearing banks su[ggest] that much of their pro[perty] lending is to industrialist[s for] new buildings for their [own] occupation rather than speculative development, [but] several of the leading compa[nies] have been expanding [their] development activities in re[cent] months.

Peter Rid[dell]

Economics Correspon[dent]

Shares on the mend

THE STOCK market attitude to property companies, rendered more volatile since 1974 by the large-scale desertion of institutional buyers, has moved through a strong bull phase in the last year.

Property shares had been particularly hard hit when MLR spiralled last autumn. In 11 trading days last September and October, the Financial Times Property Share index fell by 30 per cent. By the end of October the index was only 15 points above its November 1974 low of 95.95.

At present this index stands, after the slight decline in the market generally following the surge in activity during the last trading account, as close to 230. The 110 per cent. rise in Property index has corrected some of the long decline property shares have shown in strength relative to the 500 or All-Share Indices.

This decline in relative strength was virtually continuous from the early summer of 1975 and not until last autumn's sharp fall in property shares was proved to be unjustified—in the sense that more major companies were not going to fold under the pressure of the brief interest rate crisis—did any sustained relative strength appear.

The extent to which property shares have been taken back into the serious investment fold should not, however, be exaggerated. The same Property Share index had reached an all-time peak of 257.4 in November 1973. Equally, the volume of shares traded in the present recovery has for the most part been low, and several of the more heavily traded stocks have clearly been short-term buys to take advantage of re-rating following dramatically strengthened balance sheets. Some takeover speculation has also boosted volume in the sector.

Discounts

But in contrast to many of the previous heavyweights of the property sector, with the majority of their holdings in offices or shops, and share prices showing heavy discounts to net assets to allow for scepticism on valuations and fears of over-gearing, many groups specialising in industrial property have performed reasonably strongly throughout the last two years.

Their rise in price this y[ear] has, therefore, been less sp[ectacular] than that found [...] group, "coming back from [the] dead."

Thus the Capital and Coun[ties] share price has more than qu[ad]rupled this year and Peach[ey] tripled, while improving p[rospects] for the construction [in]dustry have helped mi[nor] developer-builder groups l[ike] Rush and Tompkins to ga[in] over 150 per cent.

Leading industrial grou[ps], having never been quite so o[ut] of favour with investors, ha[ve] produced more modest rises. Brixton Estates, with [its] assets spread roughly half-a[nd-half] between industrial and co[m]mercial properties, has ris[en] about a third this year. It l[ast] week reported interim figu[res] which illustrate the balance of development influencing t[he] group over the past two or thr[ee] years.

While industrial activity h[as] been sluggish by previo[us] standards, Brixton has neverth[eless] continued to make s[ig]nificant additions to its indu[strial] stock. On its Dunstab[le] estate this year it has pre[-let] 150,000 square feet of wareho[use]

CONTINUED ON NEXT PAGE

Fresh ideas from the planners

udden industry has clean word with Not just industry ke to see it on their ster plans—tucked sight and out of living quarters of ce, or directed to s—but right in the ties, mixed in with uilding. Industrial d its accompanying nt has given rise to gan: "Let's have where, just so long e it."

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obvious sign of the een in the Govern- osals to encourage evitalisation which, actually contain ans to promote evelopment in the Previously, if there mon theme to inner was that industry ter off elsewhere.

e

ave such important the Minister for Construction, Mr. son, saying in "Halting the ecline of the cities nt as tackling hous- ation there."

summer circulars epartment of the were exhorting ties to give priority turing, to place for factories and op of their planning them not to reject pplications from "perverse and un- grounds, and them legislation which would help them "assist industry" and "designate industrial improvement areas." A change indeed.

Lest any businessman throw his hat in the air at these words and start sketching his plans for his new factory in the margin of this article, it must be said that so far these new attitudes are more attractive-sounding sentiments than practical policies.

The Industrial Development Certificate system has not been repealed. The designated Assisted Areas have been reaffirmed as having priority over inner cities. The promised Bill to enable local authorities to assist industry in their areas by way of loans for building or refurbishment has not yet materialised.

Nevertheless, some important changes could well be imminent. At a cost of £2m. three studies of the inner areas of Liverpool, Birmingham and the Stockwell area of the London Borough of Lambeth, were completed at the end of the year. Among the recommendations in the three reports were the abolition of IDCs, relaxation of planning controls over industry and commerce, and permission for some industries to remain where they were even if they were "non-conforming."

The Liverpool report called for regeneration of the city to be pursued through re-establishing inner Liverpool as a suitable location for economic development. An independent study in Manchester noted that in 13 years the city has lost 100,000 jobs, a quarter of all jobs in manufacturing have disappeared and service industries have only partially made up the loss.

On all sides there is greater *recognition of the need to en*courage industry even if it means putting up with factories in the cities. The influential All-Party Commons Expenditure Committee has led the field in this by threatening local authorities that if they do make "perverse and unreasonable" decisions they may find the costs of appeal awarded against them.

Precedence

Next in strength to this move was the July circular from Mr. Peter Shore, Secretary of State for the Environment, which laid down that local authorities should

- Give precedence to industrial planning applications whatever their size, over housing applications.
- Ensure that redevelopment and slum clearance schemes do not unnecessarily displace manufacturing industry.
- Speed up planning appeals for industrial development.
- Maintain flexible housing policies which would aid industry even if this means building houses for sale rather than rent.

The proposed legislation to give local authorities powers to help industry in investment programmes by rent-free periods, help with the costs of site preparation, and 90 per cent. loans on commercial terms for building or refurbishment, is currently the subject of consultation between Government and local authorities. No date has yet been set for any preliminary draft legislation but it is thought to be a priority in the next Parliamentary session.

One other central feature to planning—the delays involved in planning applications—is also being reconsidered. Last November, a conference was called by the London firm of surveyors, Hillier Parker May and Rowden, to study some of the causes of the high cost of industrial development in this country, which is higher than anywhere else in the world.

Out of this was drafted a report under the chairmanship of Sir Frank Layfield (who had earlier produced a similar report for Government) pointing out areas of planning delays and suggesting methods of short circuiting them.

Response from key figures in Government to this report is claimed to have been strong. *Apparently, the Conservative* Party has set up a small team to study the proposals. Mr. Shore said he would give it close consideration and followed up part at least by requesting local authorities to give priority to industrial applications. The Expenditure sub-committee's stance on appeal costs is thought to have been in response to the report also.

In practical terms, unfortunately, the new attitudes have *yet to be properly tested. In the first place industry is so* depressed that its imminent problems are finding orders to help fill the heavy over-capacity it already has. Expansion plans involving extension or new *buildings are not on many* Boardroom agendas these days. So applications which could prove that planning authorities are really following the new guidelines have so far been relatively few.

Test

In the second place, the real test would be applications from those industries which do not conform to local structure plans. They could be too large, too noisy or, paradoxically, too light. Many local councils have resolutely denied applications for warehouses on the grounds that they use up valuable housing or recreational ground while employing only small workforces. These applications are still inhibited by the Industrial Development Certificate system. It has been speeded up, certainly, and in some cases *fringe applications are being* generously dealt with, but while IDCs remain as a blanket planning tool industry still has real hurdles to overcome.

Christine Moir

A typical modern industrial estate at Ascot Road, Bedfont.

Shares

CONTINUED FROM PREVIOUS PAGE

ing to W.H. Smith and embarked on a further 160,000 square feet of development. It is completing its Egham estate by early next year and on its site at Erkrath, near Dusseldorf, it is into the second phase of development, with 89,000 square feet of the planned 148,000 square feet pre-let to ITT.

But Brixton has its problems on commercial development, centered on its Avenue Louise, Brussels, office block and it is partly these problems that have probably swung the present assets value of the portfolio strongly in favour of industrial properties. With book assets of 108p a share, the recent strength of the investment market means that Brixton shares are selling at a discount of around a quarter on present assets.

Slough Estates has had similar commercial development problems, in Brussels, like Brixton, and in Sheffield. But its portfolio is more solidly weighted to industrial and the shares have enjoyed a particularly high rating through the recession. Fully diluted, the book assets per share come out within a couple of pence of Brixton's and, granted the same measure of improvement since the year-end valuations were taken, Slough is now one of the few property groups selling at a sub-20 per cent. discount on assets.

Percy Bilton, despite problems last year with its housebuilding operations and some management doubts following a boardroom shake-up, is probably another, though opinions differ widely on asset values and of course get no help from Bilton itself, prime industrial developer example of the non-valuation school.

Bilton's shares show a 30 per cent. rise this year and Allnatt London, a similarly conservatively financed group, though with a less glamorous market rating, has shown nearly 50 per cent improvement, while Evans of Leeds, with its portfolio concentrated on high yielding Northern industrial properties, has doubled.

Projections

With most of these shares underperforming the general property index there is no case yet for claiming that industrial property companies shares are likely to suffer relatively over the next year. The primary property market, affecting asset projections, is still running strongly in their favour, as are rental trends. So the underperformance this year is more a matter of a sharp correction in the shares of heavily borrowed office and shop developers than a downgrading of industrial assets.

The other factor has been the influence of interest rate falls, traditionally influencing the whole property share sector favourably. But such falls are far more favourable to companies with a high proportion of variable rate short-term debt on the books, and offer few bonuses to the type of long-term fixed-rate funding typified by Bilton. Indeed, the interest rate cuts diminish the investment income earned on that company's cash surpluses.

The major question mark over all property companies will be the stock market's reaction to the inflexible line being pursued by the Accounting Standards Committee towards depreciating investment properties. It now seems clear that though pushed hard by the British Property Federation, will not be treated as an exception to the general principle that buildings must be treated as finite assets.

With their relatively short expected life, industrial buildings will bear the full implications of this ruling and the market's reaction to this impact on the companies profit and loss accounts has yet to be tested.

Quentin Guirdham

Regional patterns dictate rents

INDUSTRIAL RENTS follow very distinct regional patterns. In general, the past year has seen a sharp increase in accommodation costs in areas within striking distance of London and in the growth industrial areas of the South East. Elsewhere rent growth has been sluggish except for selective rises in Scotland, where North Sea oil activity continues to create pockets of extreme space scarcity within a slack market.

As the regional rent table from Grant and Partners shows, rents for good quality modern warehouses have broken *through the £1 a square foot* barrier throughout the country, and are in sight of the £2 a square foot level in the London area. The strength of the modern warehouse market contrasts with a still sluggish pattern of rent growth for factories and for older industrial space generally. And rents in regionally weak markets, particularly in the industrially depressed areas of the North, have been further depressed by the recently increased pace of public sector building through the advanced factory programmes of the English Industrial Estates Corporation, local authorities and regional development agencies.

In Scotland, advanced factory programmes account for around 500,000 square feet of the 1.7m. square feet of industrial space now available or in the pipeline. That 1.7m. square feet represents more than half of Scotland's total current stock of industrial premises. And this massive overhang has prevented average industrial space from breaking through, or even approaching the £1 a square foot level.

The global figures do, however, hide pockets of intense demand, pockets which tend to closely follow the onshore activities of the North Sea oil business. Airport space throughout Scotland rents at a *premium, and deals for small* warehouse accommodation at Dyce Airport have been reported at over £2 a square foot, with space serving Dyce's heliport letting for up to £2.50 a square foot.

Exceptional rental strength has also been reported within the very restricted industrial markets of Edinburgh, Aberdeen, Fife and Peterhead, where rents tend to range around, and occasionally above, an average level of £1.50 a square foot. But the Glasgow market remains depressed. And industrialists have little difficulty finding both factory and warehouse premises there for under £1 a square foot.

Further south the picture remains fairly grim, with few of the isolated pockets of rental strength that enliven Scotland's market. Industrial estate developments around Leeds, Manchester and down in the Midlands around Birmingham, Leicester and Nottingham have become available just as industrial output has fallen and demand eased. Here again there are few schemes that can command rents of more than £1 a square foot, although in the Royal Institution of Chartered Surveyors' recent poll of members fairly grim, with few of her firms over 40 per cent. of agents felt that industrial rents in the Midlands were moving up. Views in the North and in the Yorkshire and Humberside regions were less encouraging, with between 75 and 80 per cent. of poll respondents reporting static rents.

One small oasis of rental strength is developing around the National Exhibition Centre near Birmingham. And throughout the country local airport sites are commanding premium rentals. But otherwise, only the most exceptionally good quality modern space is letting easily north of that mystical line drawn across the country through Watford.

South of that line the picture improves, as the relaxation of Industrial Development Certificates has yet to have any real impact on the supply of well located modern industrial space. The South East can also claim the major part of what little industrial growth has been recorded in the past year, with a distinct emphasis on the distribution of consumer goods—and hence upon warehouse demand—and light industrial business, particularly along the South coast.

As the rents table shows growth has again been concentrated around the airport market, although the scarcity of space in the capital itself has been reflected in a sharp increase in asking rents. The RICS survey confirms the rising trend in London industrial rents, with over 55 per cent. of respondents reporting increases. A similar proportion reported increases throughout the South East.

In the South West newer units linked to the motorway network are on the market for around £1.10. The shortage of available buildings in the Bristol area has resulted in recent lettings of a new space at up to £1.35 a sq ft. And local agents Lalonde Brothers and Parham expect a number of new units on Exeter estates to come on to the market at a similar level next year.

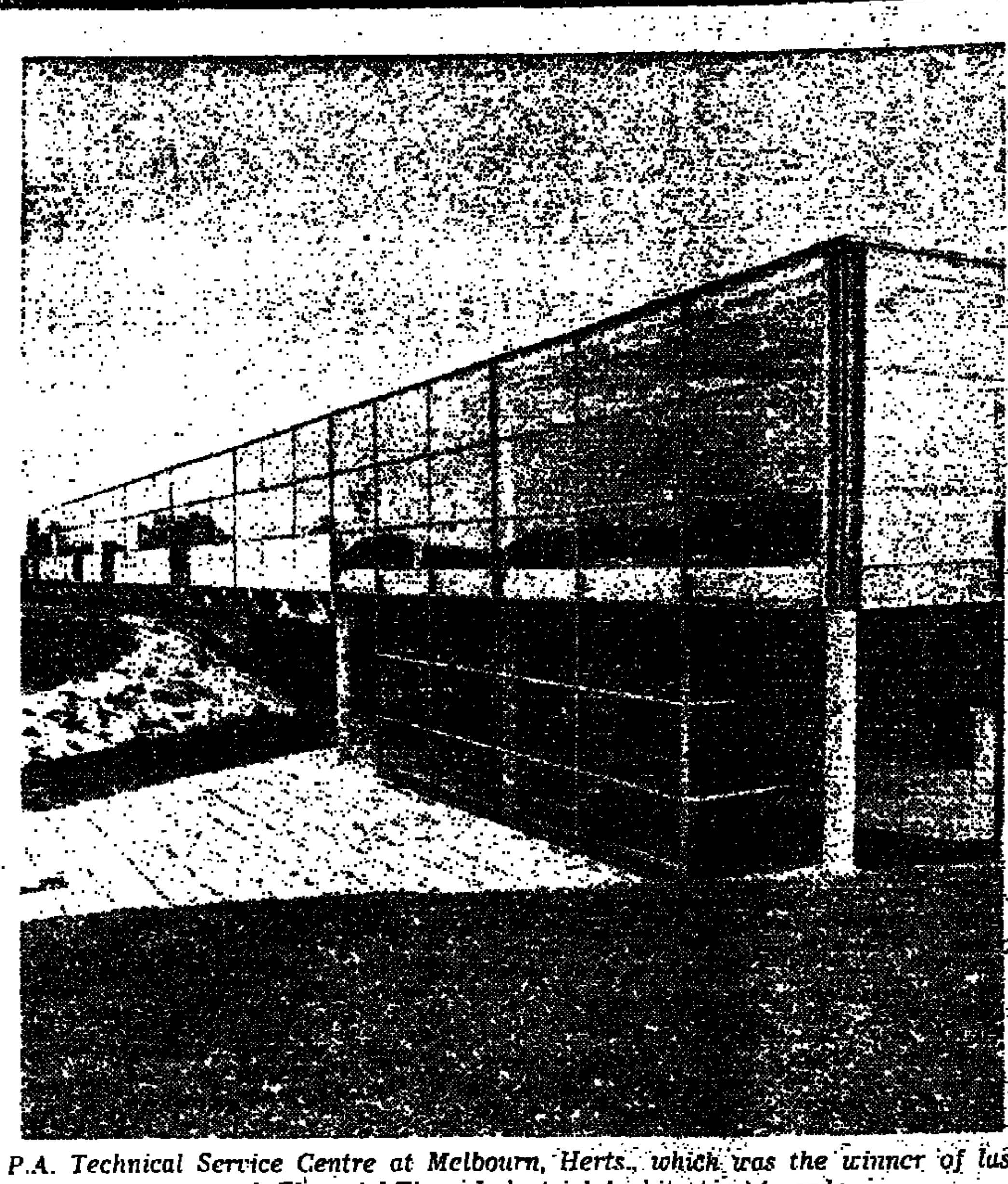
John Brennan

REGIONAL RENTS

Location	Rent in June, 1976 per sq.ft. £	Rent in June, 1977 per sq. ft. £	Percentage uplift %
London Airport	1.60	2.00	25.00
S. London (Mitcham/Merton)	1.60	1.85	15.63
East London	1.30	1.60	23.08
North London	1.65	2.00	21.21
Woking, Surrey	1.45	1.60	10.34
St. Albans, Herts.	1.70	2.00	17.65
Chelmsford, Essex	1.25	1.60	28.00
Basingstoke, Hants.	1.10	1.35	22.73
Luton	1.10	1.50	36.36
Swindon	1.10	1.25	13.64
Cambridge	1.10	1.25	13.64
Gloucester	1.00	1.25	25.00
Birmingham	1.05	1.20	14.29
Coventry	1.05	1.30	23.81
Leicester	0.95	1.15	21.05
Nottingham	1.00	1.15	15.00
Cardiff	1.00	1.10	10.00
Leeds	1.00	1.10	10.00
Manchester	1.10	1.30	18.18
Newcastle	1.00	1.10	10.00
Glasgow	1.10	1.20	9.09

Average uplift over 12 months in London	21.23%
Average uplift in London and Home Counties	22.22%
Average uplift in provinces	15.31%
Average uplift overall	18.27%

Rents based on new warehouse units of 10,000 square feet, served by good loading and parking facilities and with an average of 10 per cent. ancillary office space. Source: Grant and Partners.



P.A. Technical Service Centre at Melbourn, Herts., which was the winner of last year's Financial Times Industrial Architecture Award.

South East heads the revival

THE INDUSTRIAL property deal which has attracted most talk in recent weeks has been the £1½m. acquisition of 6.73 acres at Thornton Road, Croydon. The price has been hotly debated, with a fair number considering that at this sort of level warning bells should start *ringing.*

A similarly competitive deal, involving land for 60,000 square feet of warehousing close to the Nine Elms market in Battersea (the Covent Garden Market Authority was the seller) was settled by closed tender at close to £200,000 an acre.

These deals in the South East are symptoms of a land market which has been the first to show consistent signs of revival. There are now patches of other regions where land price levels are starting to return to those of 1973. These include parts of Scotland, the southern side of Manchester and parts of the Midlands (where in Nottingham and Leicester, in contrast to the office oversupply, most of the modern industrial space is now off the market and developers are starting to bid up prices for fresh land).

The trend of land prices has illustrated the slow pick-up in industrial property activity since the start of 1975. In the middle of that year, land prices began a slight upward movement which lasted until spring 1976, with several of the more solvent developers seeing this as an opportunity to exploit the absence of competition and to maintain some development activity in probably the least risky sector of the market. Several contracting companies also sought industrial land, partly to maintain workloads.

Interest

However, this interest was not maintained. Landbanks by mid-1976 appeared quite adequate to cope with what was proving a slow and patchy revival in letting demand and it was not until this year that it rose again.

The South East appears to be heading the revival, in a similar way to its lead in the improving market for residential land. But those close to the market stress that only the best sites are attracting much interest at all.

Partly influenced by land tax considerations, the supply of *good industrial land in the* region has not been high in recent months. It is probably a relatively small increase in demand which has pushed many sites to well over £100,000 an acre. Certainly there is not such widespread competition as there is in the residential land market.

In area, the competitive belt stretches away from the traditionally prime sites around London and up the Thames Valley. Around Reading, where Slough Estates made the largest land acquisition for some years with the Suttons Seeds site, Trafalgar House is developing over 100,000 square feet on part of the GRA stadium site.

The rents being achieved here are encouraging (in the £1.65 to £2 region) and developers are showing plenty of interest in any prime sites which come on the market to as far as the Oxford area, where the Tramway and Ashville estates have proved so successful.

Coming backs towards London, is there a danger that the present confidence is getting over £2 a square foot for the best modern space with generous office content is leading developers to overbid for land.

The bears of this market that demand is still too pa[…] to have confidence that this of rent level, essential schemes in the £150,000 acre or more land value brac[…] are still very much the ex[…]tion and that demand is still patchy to justify such c[…]dence.

They can point fairly [..]cisively to a prime area su[…] that around Heathrow and plenty of space in the […] which has been vacant for […] two years.

It is, of course, difficul[…] generalise about even […] locality, for equally some fancy rents have been achi[…] there (Haslemere reckonin[…] get nearer £3 than £2 a sq[…] foot for one of its small […] The fact is that several es[…] round Heathrow are not as […] located as their distance […] the airport suggests. Ma[…] the roads close by are na[…] and windy and have p[…] quite unsuitable for newer […]culated lorries.

Status

What the Heathrow and […] Circular Road sites have […] to the land market immed[…] around London may well […] that their status is quite […]fied. Percy Bilton's acqui[…] at Uxbridge begins to loo[…] of that company's shre[…] purchases.

For its 35 acres there a[…] Island, Bilton issued £2.5 shares to the owners, L[…] Industries, the shares bei[…]mediately placed with i[…]tions. So Bilton got the (and some let existing […]ings) at £70,000 an acre, mention a dividend increa[…] wider spread for its share[…]

The gap between that a[…] Croydon deal is a lot mor[…] just a discount for size. agents Lambert Smith and […]ners have few doubts th[…] site justifies the premium being just off the A.23. major industrial service l[…] on the outskirts of Londo[…] good South Coast access a[…]

The agents will not put […]ing on the rents expect[…] reckon they have a floor […] £2 a square foot below […] will not go. The […] involves demolition o[…] former ICL factory and and the planning permis[…] for 14 units totalling […] square feet.

The seller and buye[…] trate the factors behi[…] fall and rise of industri[…] values around London. […] had been bought by […]politan Holdings, the St[…] sidiary. The banks reco[…] some of their money wi[…] high price can thank one newer forces in the p[…] market, a subsidiary of […] Mercantile Group.

This is the private […] headed by Godfrey B[…] best known as a tax exp[…] was also involved, with […] Sunley, in another eye[…] property deal, the purch[…] Maple House, Tottenham Road. The group has ha[…] perty arm for some yea[…] the fact that it is exp[…] such confidence in lo[…] development is typical […] forces pushing up the p[…] prime land in the South[…]

Quentin Guir[…]

Big boost for the inner cities

IT IS not only inner cities that have felt the breath of changes in planning attitudes. The shibboleths of regional planning are also being shaken but not all the results are meeting with the same approval as the new approach to urban renewal.

In the past few months, the Government has —

- Abolished the Regional Employment Premium.
- Severely curtailed the new towns programme.
- Confirmed the policy of selective industrial assistance by industry rather than by region.
- Downgraded a couple of development areas.
- At least discussed the possibility of abolishing Industrial Development Certificates.
- Trumpeted the needs of inner cities.

What it all boils down to is a marked swing away from the concept of regional assistance as such to the notion that the most effective assistance is by grants and incentives direct to industry on the basis of each industry's needs.

Pendulum

Of course, the Government would deny that it is losing faith *in its regional policy.* And, in any case, it cannot be easily or speedily dismantled. But the pendulum is swinging in the opposite direction from its movement over the last decade or more.

The key indicator is probably the *volte face* over the new new town programme. Major cuts have recently been announced in the planned expansion in six of the third generation new towns, which will reduce their total population growth from 1.5m. to just over 1m. A further eight second generation new towns have been warned not to expand any further and been asked to wind up their development corporations within five years.

The six who have been asked to pull in their horns are Peterborough whose projected population is to shrink from 180,000 to 160,000, Milton Keynes which is to drop from 250,000 to 200,000 and Northampton which is to be a fifth smaller at 180,000. Telford is also to lose 70,000 and end up with 150,000. Warrington goes down from 205,000 to 170,000, while the newest, the Central Lancashire New Town, which has not even really got off the ground is now to be little bigger than a village (population 23,000) when it had *been originally planned for* 100,000.

Bracknell, Skelmersdale, Redditch, Basildon, Corby, Runcorn, Harlow and Stevenage are the eight which must not grow bigger.

The Government is likely to justify its cutbacks in terms of the new population projections for the country as a whole which suggest that we are longer reproducing ourselves sufficiently fast enough for more than population replacement.

Yet the first decisive moves in curtailing the new towns came more than a year ago when Scotland's sixth new town, Stonehouse, was abandoned before it started. The population projections came much later. They may even cause further radical reductions in the new figures just established. The chairman of the East Midlands Planning Council, Mr. Wilfred Myron, for instance, believes that the new population targets for new towns are still too optimistic. "The industrial recession and inner city revitalisation will hold back job creation," he claims.

Obviously the new town authorities are not happy about the new moves which they claim create crippling uncertainty which will jeopardise even the existing programmes. But the loudest complaint of all has come from Milton Keynes which argues that it is placed where industry wants to go so its growth should be allowed to reach its own level rather than obey artificial ceilings. It also wants to see IDCs abolished so that more industry can move freely into its domain.

Reactions

Some of the other towns featured in the new cuts are keeping their reactions to themselves, possibly because the restrictions actually remove heavy burdens from them. Skelmersdale, for instance, must almost be pleased to see the end in sight in five years. Already it has the highest unemployment in the country. In rapid succession Thorn closed its television factory, Courtaulds laid off 1,000 workers, and electrical relays manufacturer Potter and Brumfield made 180 workers redundant. Unemployment is running at 20 per cent. and the town has become unpopular with industrialists who treat it as if it were jinxed.

The other key plank in Government's new policy was the abolition of the Regional Employment Premium at the end of last year. The Departm[…] Employment which […]istered the grant decide[…] blanket regional assista[…] this form was an inefficie[…] of helping industry beca[…] could be claimed by com[…] who stood in little ne[…] assistance.

There was, of course, a […] of complaints ranging […] strong protest to milder […] that the abolition was "[…]ture." They were all at t[…]ginning of the year. Sinc[…] company financial repor[…] quently blamed the abse[…] the premium for poor […] this year compared wit[…] but few serious reperc[…] have been heard.

The new approach, und[…] in report after report […]sises the need for […] assistance for ailing ind[…] where they can be ide[…] Location is of minimal […]vance. Certainly, man[…] located by historical acci[…] areas which themselves been singled out for ass[…] Many others have not.

This is not to say that […] assistance will be phase[…] In many ways it has simpl[…] reorganised to be more e[…] like the Scottish Devel[…] Agency which has a[…] several fragmented bodie[…] trolling incentives for in[…] in Scotland.

Yet the underlying at[…] do suggest a reshaping of […]ties for industrial develo[…] Combined with the increa[…] vociferous demands for a[…] of the IDC system Govern[…] regional planning does […] have reached a watershe[…]

Christine […]

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Developers begin to gain new confidence

THE END of one cycle of industrial development activity and the start of a new one has been marked this year by the disposal by receivers and banks of most of the final remnants of the Lyon Group.

Among the larger developments left to be completed was the Rosekiln Trading Estate in Reading where Masonbrook, a company run by ex-Lyon executives, acted as consultants and project managers. This year approaching 100,000 square feet has been let and part of the estate sold to the Imperial Tobacco pension fund, while another Lyon disposal was the Court Farm Estate near Heathrow, sold to the Electricity Supply Nominees.

To talk of the successful building-out of these sites, where the developers had failed in the 1974-75 crash as the end of one era, and the increasingly brisk market in industrial land as evidence of the start of another, perhaps does not do justice to the steady stream of development activity which has continued through the recession years.

But if the line has to be drawn somewhere, and there have been several false dawns in this market over the last two years, then the summer of 1977 is likely to be the time that most developers think of as the start of a new expansionary phase.

The funding market for industrial schemes is probably as receptive, for speculative as well as pre-let schemes, as it has ever been. Certainly, most agents and developers agree that there have never been so many institutions prepared to look at these propositions.

Interest rates appear sufficiently stable to accurately predict finance costs over most of the lead time on smaller schemes. Building costs are beginning to look worrying to some, with contractors not quite so desperate for work as a year ago, but we are still a long way from the 2 per cent. a month building cost inflation days.

And tenant demand, while patchy, shows plenty of evidence of renewed strength. One of the more hopeful signs, for the economy as well as industrial developers, has been the emergence of takers for large blocks of warehouse space.

There is still a reluctance from most developers to commit themselves speculatively to large units. But, as one agent puts it: "When you do have a major scheme you find there is quite a lot of demand keeping a low profile. No one seems to be announcing that they want 40,000 square feet, but if they know you've a site which can take it, then you get a surprising amount of serious inquiries."

It is these larger space demands which are a key indicator of a reviving speculative market. They indicate investment by major manufacturing and distributive groups, the ones who might be called the primary users of industrial property. Smaller units, used by small manufacturing groups or as ancillary, perhaps temporary, depots by groups uncertain of their real capacity needs over the next decade, have in many areas found a steady market right through the recession. But it is the larger lettings which will prove that a revival in industrial confidence is starting to alter the longer-term prospects for the property market.

The trend of new orders for private sector industrial buildings placed with contractors is a guide to this basic demand, for investment in major plant projects inevitably has a spin-off effect on the letting market used by suppliers and distributors.

In this sense last week's figures from the Department of the Environment were encouraging. At current prices, orders for non-oil projects ran at £238m. and £322m. in the first two quarters of the year.

This £560m. total contrasts with total orders placed of £801m. in 1976 and with only £599m. in 1975. The trend also looks reasonably soundly based with an increasing flow of orders for three consecutive consumers."

While many major manufacturing groups are at present cash rich, and are comfortably encompassing quite large capital expenditure programmes from cash flow, the poor demand for bank lending has so far been a contrary indicator and a depressing one. It does not however, conflict too strongly with the rising trend of rental demand in industrial property, with such space often deliberately taken as a capital saving operation.

Politically, developers can also sense that the national preoccupation with cutting the 1.61m. record total of unemployed has largely eliminated any stigma attached to property development. With even office developers getting some credit for giving work to the construction industry, industrial developers have seen more tangible improvements.

One of Glasgow's most famous factory buildings, known as the "Doges Palace," part of a complex totalling 385,000 square feet on a four-acre site, is to be sold by the British Carpets subsidiary of Guthrie Corporation. British Carpets is to extend its other Glasgow plant, in Crown Street, in a deal worth £3.6m. for a sale and leaseback plus finance for a 75,000 square feet extension. The pension fund buying the long leasehold interest and financing the extension was advised by Debenham Tewson and Chinnocks, while Richard Ellis acted for British Carpets and is agent for the Palace sale.

Red... prov...

Local planners are gene[rally] reported to have become more helpful on consents [and] the IDC hurdle appears t[o be] becoming increasingly op[en]. There are still plenty of gro[unds] about the time it takes to [plan] and build major indus[trial] estates in Britain—the W[...] committee has been [...] familiar with the Slough Es[tate] documentation of thes[e com]plaint—but a lively deba[te on] this issue can hopefully imp[rove] the outlook for developers [with]out risking a period [when] development becomes so "e[asy]" that values are eroded an[d the] market is flooded by [...] specialists as it was in the [early] 1970s.

This new attitude to indu[strial] development as a tool [against] unemployment does have [an]other potential risk for private sector developer[s,] encouraging subsidised com[peti]tion from the public sector. [The] bait of ready-to-use fa[ctory] premises at reduced rent[s has] never been used on such a [scale]. The present programmes [of the] English Industrial Estates [Cor]poration and the Scottish [Devel]opment Agency are merel[y the] tip of the iceberg, thou[gh a] substantial tip.

In some areas the us[e of] public, including EEC resou[rces,] has been strongly criticise[d by] private developers. But [the] trend is here to stay, an[d the] Inner City initiative of Peter Shore, Environ[ment] Secretary, has already th[rown] up further advance fa[ctory] building plans for the "pa[rtner]ship" cities. However [it] appears to be acknowl[edged] that private developers h[ave a] role to play in these pla[ns].

The acceptance of the [devel]oper as one of the elements in industrial reg[enera]tion is an important po[int] point for the industry w[hich] allied to the more favou[rable] economic outlook, appea[rs to] offer private sector devel[opers] expansionary opportunities [even] if for many of them the h[olding] of these schemes as inves[tments] is no longer practical.

Quentin Guird[...]

Resolving the design dilemma

THE RECENT increases in the cost of energy have brought the conflict between design standards for factory and warehouse accommodation sharply into focus. For developers erecting speculative industrial accommodation this can pose a real problem: not only does a shortage of Industrial Development Certificates in the South of England imply that the building is likely to start life as a warehouse, but the requirements are incompatible. Modern mechanical handling techniques demand a minimum eaves height of seven metres, but factory users complain of having to heat building volume that is no use to them. Equally warehouse operators demand raised loading docks with dock levellers; factory users prefer a continuous grade into the yard.

The developers' dilemma revolves round attempting to produce a standard building acceptable to both types of tenant: their concern is understandable, because they are under considerable pressure from investors, the financial institutions and particularly the pension funds. It is inevitable that in trying to provide a universally leasable structure, the operational quality of the building will be compromised.

The pitched roof, portal framed shed has been adopted as a standard type for rapid erection and cheapness. Although capable of spanning large areas economically, this structure provides little accommodation for building of production services: the emphasis of a single axis imposed through the type of structure results in tortuous routing of services across the span, especially under valley beams. In a number of instances, the structural capacity of the frame, calculated to minimise the amount of steel, has been insufficient for the later addition of ductwork and pipes required by a user.

Developers may argue that there is not a demand for a higher specification building, for example using truss construction to provide integral support for services. Their opinion is that tenants are not prepared to pay the higher rental which increased building cost inevitably implies: equally, developers are loath to erect any type which is not in line with their competitors, because they may be undercut. Perhaps most important, the institutions seem only prepared to back investments that have no risk.

The misconceptions are:

1—It is supposed that most industry shares a common building demand;

2—A factory building is only an enclosure to keep out the elements.

In fact, there is a wide variation in building need to suit different manufacturing processes. The standard portal frame is only really suitable for the simplest demands, storage and the low technology sector of light production. It is unrealistic to argue that the more specialist building types should be left to the purpose-built sector, because many companies are experiencing a shortage of development capital, and need to spend their money on new production plant to increase output and productivity. Having failed to find suitable speculative accommodation, a number have been forced to build for themselves and others have postponed development altogether.

Factory and warehouse design should therefore be based on the demands of use on the building. This is not to suggest that all industrial buildings have to be purpose built; an analysis of factory building requirements shortly to be published in the Architects' Journal Handbook of Factory Design demonstrates how most production can be accommodated within one of five basic building types, defined by the demands of the production process, its associated services, materials handling, and conditions for personnel at the workplace. The categories are: Light, Batch and Mass Production and Assembly, Process-based Production and Heavy Engineering; although serving distinct categories of users, these buildings forms do not preclude the potential for developing common components.

To relate factory types even broadly to user demands suggests an element of risk for the financing institution: their reluctance in case of loss is understandable, but the risks are minimised if the buildings are designed to suit the predominant industrial pattern of the area. Most industry in Britain is located by historical precedent. Certain industries have polarised to cities or regions, such as engineering batch production sub-contractors for the automotive industry in the West Midlands. This pattern can be identified throughout the country.

The financial institutions now effectively control such a proportion of the indu[strial] building market that [they] should be taking the le[ad in] improving standards. [The] current minimum cost att[itude of] designing down to a sta[ndard] may be a safe investment[...]

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Reducing costs proves difficult

STRY no longe- [which to live s of deep reces- erm prospects of till only poor. roughout the ector is running acity—in many not much more ity—despite the hich has been of the last two pany financial

is critical. At usiness volume mes acute and to minute pro- heads and fixed er in the mix of lt is an urgent sts to the bone. , many theoreti- programmes are ractice. Laying involves heavy for redundancy, o great a strain any's already ity. Destocking and efficient nly to a certain cks are depleted ger term future s when orders can be seriously

dent cost cutting volve a mixture measures across n manning and to economies on :. This area is verlooked. Com- faced with the ribed may yearn per and smaller a few minutes' ally prove that ists and accom- bance of work prohibitive. many run out ue that the main cost savings are company except ving premises. savings over a relatively long period against an immediate, and comparatively high outlay. But a number of possibilities ought to be considered.

It is, for instance, still not widely known that tenants have a statutory right of appeal against the basis on which the against rateable values. They cannot appeal against the actual rates, that is the proportion of the rateable value which is actually levied by the local authority. But they can appeal against the basis on which the rateable value has been assessed, namely the district surveyor's assessment of the rental value of the premises.

If rents in the district, or for the particular type of property, have dropped more than 10 per cent. below the level which formed the basis of assessment, then reductions in rateable value can be successfully appealed for.

One other much overlooked area is that of electricity and fuel costs. Because of the history of comparatively cheap utilities many companies have become positively spendthrift where lighting and heating is concerned. Since, nowadays, electricity rates have multiplied to a level where they loom large among the monthly bills, attention to extravagance pays dividends.

There are a number of devices on the market which control lighting so that it is used only when needed and automatically shut off when not needed. Insulation, even of a primitive nature such as fitting open doorways with rubber sheets, can sharply reduce heat losses.

More complete insulation programmes may be more expensive and pay off only over a period of years, but it is sometimes possible to obtain grants for some of this work and even partial measures would begin to have some immediate impact, especially if coupled with modest reductions in degrees of heat used to warm the ambient air.

This is a particularly acute problem in to-day's warehouses with 20 to 25 foot eaves heights. Most of the stock of modern warehouses has been built to these heights in order to provide surplus space for the introduction of modern stacking methods. Yet the tenants frequently do not use all the height; instead a significant proportion of their heating is lost in the rafters. False ceilings of a temporary nature, but including insulation, cut down this loss. The cost, admittedly, is high. Estimates range widely but a fairly common cost is £1 per square foot.

Investigation

Installations of such things as ceilings, of course, are more easily carried out before a company moves to new premises. Such a move should always be accompanied by investigation of fixed cost economics. Frequently, a surveyor will be able to provide good advice: certainly such economies should always be part of the instructions given to an estate agent appointed to search for new premises.

The possible economies are not limited to insulation or effective lighting layout, though these are important. The internal and external layout of the premises can also be sources of major economies through more efficient work flow, reduced transportation costs and minimal loading bottlenecks.

Companies looking for premises and motivated by the need for economy are all too often betrayed by cheap rents. In fact the pure rental element is not the only consideration. Premises which are cheap usually have drawbacks. If these are structural they could mean considerably higher insurance premiums, larger maintenance bills and inefficient work flow.

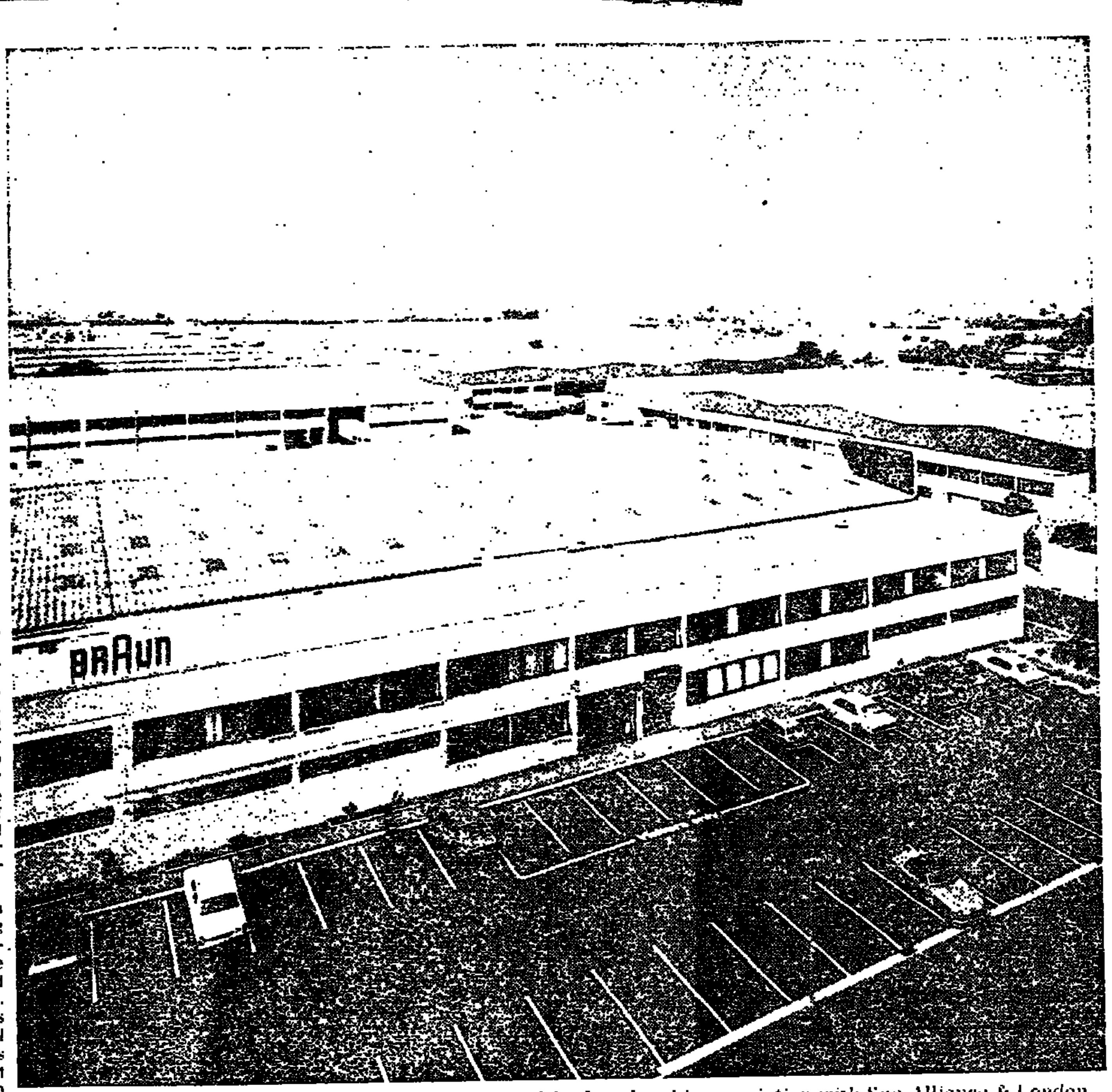
If the internal layout is unsuitable, bottlenecks in production will occur with resulting margin decline, productivity will drop, and morale among staff will be difficult to maintain.

Externally, the crucial matter is location. Proximity to good trunk roads, approach roads of a size and layout large enough for the type of transport required, are vital. Loading bays can be a source of congestion and delay; they can also improve work flow dramatically and cut down internal space requirements for storage of either raw materials at one end of the production cycle or finished products at the other end.

The very materials used in the construction of the building can also be cost saving. Needless to say they should be robust, long wearing and require minimal maintenance. Proper layout of windows reduces the need for artificial lighting boosts. Good materials also reduce fire risk, the amount of fire protection required in addition, and minimise insurance cover.

British industry does not have a particularly shining record for productivity either per unit or per man. Profitability has not been a strong point. Too many companies have been content to muddle along producing profits only off the top slice of volume instead of lowering break-even levels so that extra volume creates disproportionate benefits. If this recession has done any good thing it has opened company executive eyes to this need. Now understanding must be translated into practice.

Christine Moir



The Dolphin Estate, Sunbury on Thames, developed by Law Land in association with Sun Alliance & London Insurance, where final lettings on the warehouse and office sections of the development have been made this year. On the 240,000 square feet of warehousing, where tenants include Siemens, Airfix Plastics, Braun Electric (U.K.) and Vehofreight, agents Conway Relf report rents of £2 a square foot.

Design

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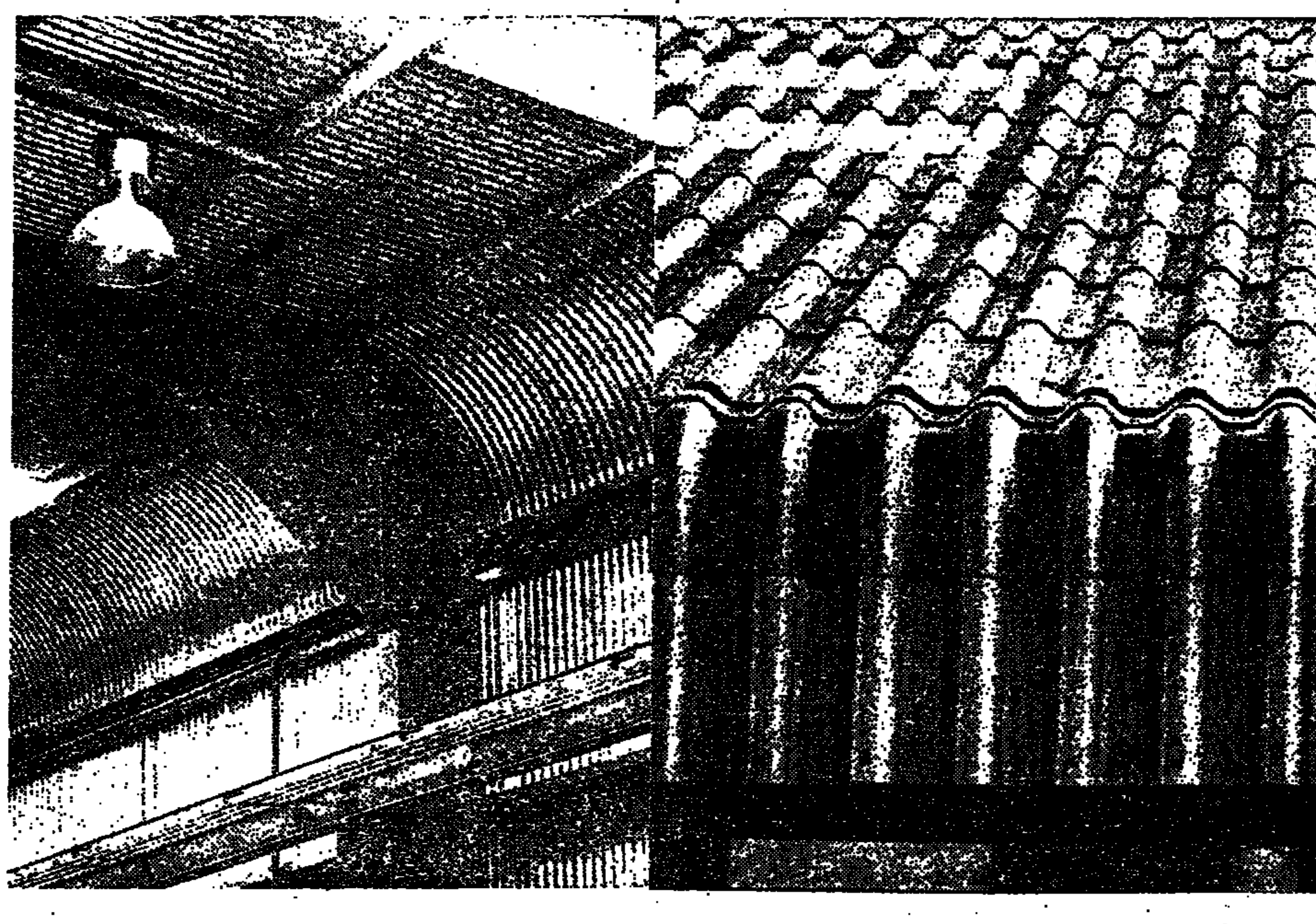
is having a real effect in depressing the quality of factory stock. The imposition of a very low minimum cost level, typically £7.50 per square foot can only result in a minimal specification for the building. For example this price level only allows glazing within the plane of the roof, which although satisfactory for warehousing, is not commensurate with current expectations for conditions at the workplace for manufacturing industry.

Modern factories have also to be capable of accepting rapid change, both within the process and between owners. The structure is not just providing an enclosure, but is really an adaptable chassis, which, like that of a lorry, can have a wide variety of fittings attached which can be rapidly replaced without demanding costly structural alteration.

If a building is to be used as a factory, the factory specification should be considered first. High eaves are acceptable for achieving flexibility between factory and warehouse use only if a high standard of roof insulation and carefully designed loading bays are included. If the design is commensurate with the typical demand of the area in which it will be constructed, industry will be attracted to the development.

Jolyon Drury



Detailing (left) at the portal haunch in a warehouse for Art Glass Company, designed by Foster Associates, showing the relationship of external cladding to the modified portal. From the use of standard components a carefully detailed result is achieved. The picture (right) shows detail of the roof sheeting at the eaves in a factory at Bleak Hall, Milton Keynes, designed by Milton Keynes Development Corporation. The blue-grey asbestos cement sheeting is carried over the eaves in a continuous profile.

Using cladding to best advantage

THE COMPLAINT that the public usually level at factories especially when grouped into industrial estates, is that they are drab and ugly. Although both statements are subjective and emotive, they merit analysis. The uniformity of modern factories is a result of the basic building type employed, and the cladding materials which might be chosen for economy or as a requirement of the local planning authority. The overall effect is gained not just from one building, but how the profiles and materials of a group of buildings interact, whether in an estate of factories or as an isolated industrial building in a predominantly residential area.

Insulation

The cladding of an industrial building does not just keep out the wind and rain. It includes the walls and roof, and provides thermal insulation, a security barrier, sound insulation (which for factories usually implies keeping noise in), and it can provide a highly cost effective advertisement for the company concerned. Wall cladding includes glazing, brickwork, precast concrete panels, and sheet materials. Roof cladding is a function of the angle of pitch, and insulation, and includes sheet and insitu poured materials.

The choice of cladding is likely to be dominated by the insulation properties of the material. There are regulations in the pipeline which significantly increase the thermal performance for industrial buildings. These regulations will set a limit for thermal transmission, through the structure and cladding, and will set a maximum proportion for glazing as a percentage of the walls and roof areas. Designers will be allowed to depart from the standard for individual elements as long as the building complies as a whole. To achieve a high level of insulation, either a sheet cladding weatherproofs an inner skin of insulation, or an impermeable material with integral insulating properties can be employed: some airentrained pre-cast concrete panels have this property, and have been used successfully.

Maintenance-free characteristics are important in the choice of cladding materials. Resistance to impact is not a strong feature of the sheet materials, hence the practise of building a podium of masonry. Roofs have always caused a problem: one of the main complaints in a recent survey of tenants was that roofs continually leaked. The use of asbestos cement sheeting to save cost on pitches lower than 1 in 10 requires long overlaps at the joints, but is seldom installed properly. Interlocking metal decking for low pitch roofs, extensively used in the U.S. is considered a luxury here, but has proved its worth in extreme climates. Low pitch and flat roofs need not leak either: great attention to detail and construction has to be exercised. A stressed skin type of roof has been successfully introduced by a number of manufacturers in Europe: these roofs are effectively long, inverted channels, which include insulation, glazing if required, lighting and drainage. One type is made from Corten self-sealing steel requiring no external maintenance.

Choice

The visual impact of the choice of cladding materials should not be neglected. Some French and Italian factories combine efficient cladding with colour schemes which emphasise or play down the factory in its surroundings, and which act as a large scale advertisement, usually by a carefully integrated logo. There is some resistance to the use of colour in the planning authorities, but it is suspected that this is a reaction to the fragmented attempts of the 1950s. Ultimately, as in all industrial design, success results from the careful choice and articulation of materials.

The factory built for Art Glass at Thamesmead by Foster Associates was based on a standard portal frame, clad with metal sheet material. By some careful detailing, the cladding is continuous in a curved profile from the vertical to roof surface. The Milton Keynes Development Corporation in some small units has also continued cladding from the roof surface, curving over the eaves to become the wall material. Hodder and Stoughton's new warehouse, at Sevenoaks, is a very large building, 9 metres high. It is set in a predominantly residential area, and might have dominated it totally. The flanks of the building have been clad in aluminium sheet material, but with the profile running horizontally: this effectively reduces the perceived height. The key feature introduced by the architect, Triad, is a completely glazed wall to the warehouse facing the main road. The glass is semi-reflective, the order picking machines visible working in the racking, behind reflected sky and trees. It is not an art effect; it reduces the scale of the building and acts as a powerful advertisement.

Jolyon Drury

Modern buildings in growing demand

A VERY clearly defined two-tier market is emerging for industrial property. Industrial tenants echo investing institutions' enthusiasm for modern space. And the rent gap between old and new buildings is getting progressively wider.

There are conflicting reports about the aggregate rate of industrial rent growth over the country. But there is an unquestioned acceptance of the fact that rents for modern purpose built industrial space, and particularly for warehouse accommodation, are setting the pace, and gradually outdistancing charges for older property.

The selective demand for modern warehousing is reflected in the quarterly industrial market reports produced by surveyors King and Co. In their past three reports King and Co., show that the percentage of vacant warehouse space on the market which is more than five years old has risen from 45 per cent., to 49 per cent. and most recently to 66 per cent. of empty space totals shown at 32.4m., 34.5m. and 34.1m. square feet respectively. As King's figures exclude multi-storey mill premises, mainly in the North East and North West regions, the demand for modern space, even through a period of relatively stable overall demand, is further emphasised.

King's figures do not show a similar pattern for factory space, the comparative proportions being 85, 83, and 87 per cent. of factories older than five years on a national market with 46.1, 50.4 and 49.6m. square feet of empty space available over the three quarters. But then the national factory stock tends to be older than warehouses, which have been the developers' and the investing institutions' favourite medium in recent years.

Preference

The clear preference for modern space, even at a substantial premium over older property, may be tested as development costs begin to filter through to asking rents. But the general feeling in the industry is that the increased costs of new space will merely accentuate the age gap for rents.

Grant and Partners' recent review of the market anticipated a "massive increase in building costs, starting this year and quickening through 1978 and 1979." The honeymoon period for developers—an enforced honeymoon from the viewpoint of builders who have been forced to clip profit margins to maintain turnover, and for architects, engineers and surveyors who reduced fees to attract work—may soon be over.

Grant's figures suggest that cost pressures have already started to hit developers, and they report that a standard, single storey industrial estate development would now cost between £7.50 and £8 a square foot. Just a year ago a similar development would have cost around £6.50 a square foot.

The implications for rents are clear. As building and site costs rise, so rents will have to rise, either immediately, or, when developers are unable to get an adequate return on costs, start abandoning projects, and the supply of new space dries up.

One unquantifiable factor in this pattern of selective, but continuous rent growth is the effect of Government and local authority sponsored industrial schemes.

Until the Government's recent change of heart, and its policy statements on the need to promote industrial development in the inner cities, in the South East, and indeed anywhere that will help to facilitate industrial expansion, the main impact of public sector building was felt primarily in the development regions.

The increased rate of Advanced Factory building for the English Industrial Estate Corporation particularly in the North East and by the Peterborough Development Corporation in the East Midlands has been cited by King and Co. as a key factor in the steady increase in buildings under construction shown in its surveys. Over the past three quarterly surveys new space underway has risen from 3.8m. to 4.1m. and most recently to 5m. square feet.

Increases

Public sector building programmes may take the edge from rent increases in the development areas. But it will be some time before the pressure for a more active local authority sponsored building drive in the inner cities, the Midlands and South East takes positive form, let alone having an effect on the supply of modern space in areas with the strongest potential for industrial growth.

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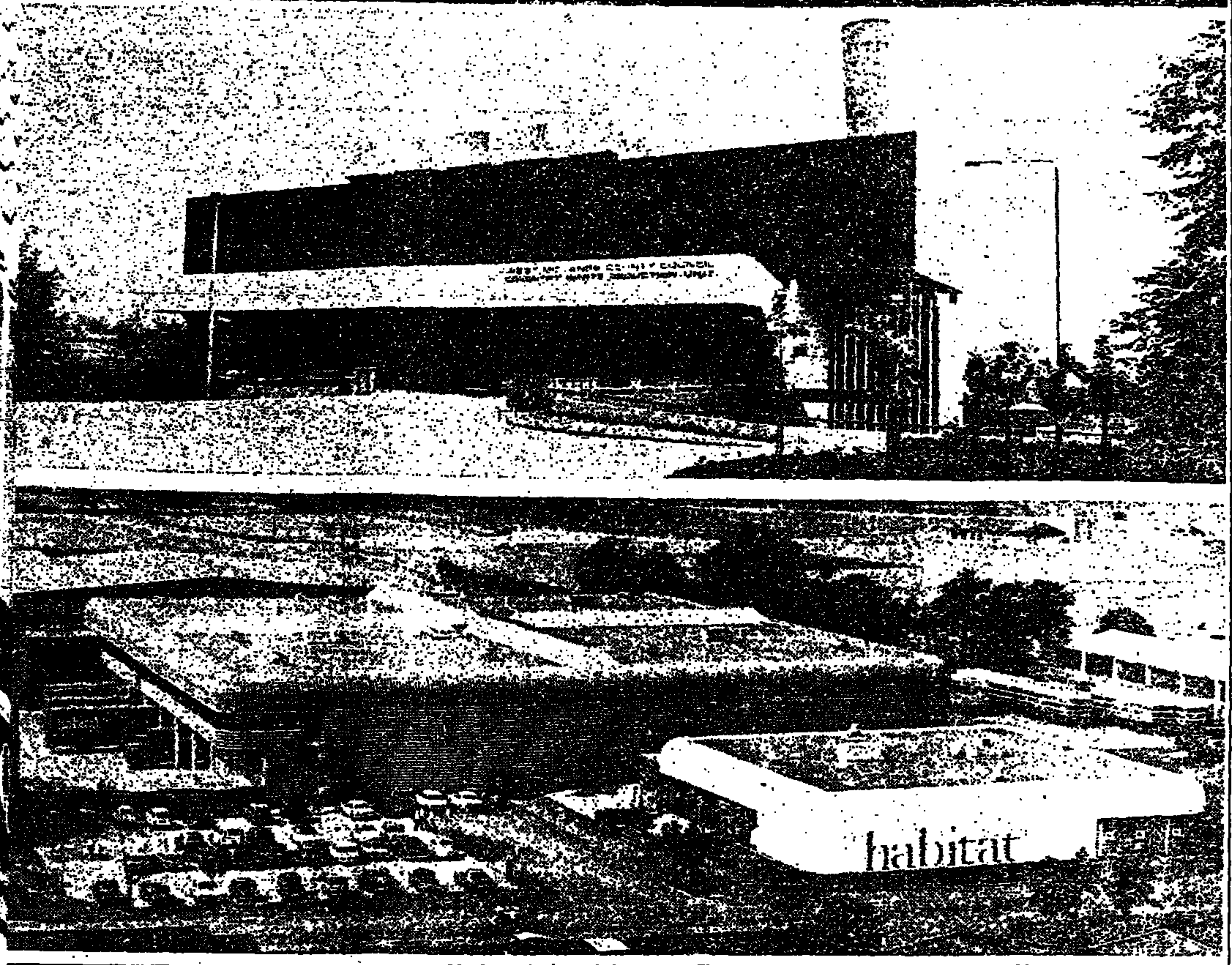

Modern industrial units. The Coventry Waste Reduction Unit (top) and the Habitat warehouse, office and showroom complex at Wallingford, Berkshire.

Closing the yield gap

THOSE who considered that the *fall in the yield gap between* industrial property investments on the one hand, and shop and office investments on the other, would be one of those short-*lived phenomenons to which in*vestment fashions are prone may be having second thoughts. The closing of the gap has now been in evidence for over a year and, while opinion on the matter is still healthily divided, there are sufficiently enthusiastic investors in industrial investments to keep closing the gap, most noticeably the one between industrial and office investments.

This owes something to *nerves about a large range of* the offices currently available to institutions. The criteria for prime regional office investments have been, if anything, *narrowed further over the past* year and while London, and particularly the City, has reasserted its prime investment status, this does not yet match the rating of *prime shops*.

So the yield gap between prime *industrial* investments and those in offices is probably at an historic low, around 1½ points. With shops, a gap of around 2 per cent. may be the best generalisation.

The influence of this newfound *favour for industrials* on the funding market for developments is a key question for both institutions and developers. How long it lasts may be a key influence on *the* attractions of industrial development relative to other forms of property activity.

Admitted office development is not at present presenting any competition for developers' time and institutional funds, *and retail developments are* bunched at the extreme ends of the size scale, with some infill schemes proceeding and a handful of major centre developments *now going ahead.* But looking ahead, both sectors, with a more lenient official attitude to large retail developments encouraging this, are sometime going to revive and provide more competition for property funds.

Speculative

With the projected outflow of institutional funds into property heading towards £2bn. a *year in the 1980s, this may not* be a serious threat. But some reaction from the present willingness to fund industrial schemes may almost inevitably *follow a few disappointments* on those contracted in the past two years.

For the moment, however, those institutions which took took the plunge back into funding speculative schemes a year or *more ago must be well satis*fied with their timing. With the rates, including interim funding, running up to 10 per cent. at the time, they now see a market where the present market would probably bid such *schemes at around 8 per cent.* Some speculative fundings have even dropped below this figure.

But anything around 8 per cent., or indeed anything institutions are prepared to fund speculatively, has to be a fairly c*learly prime investment.* And the lower the rates here, and in the created investment market go, the more some institutions are going to turn to the higher yields still available in *the created investment market.*

For instance, the Grand Metropolitan Pension Fund has recently spent 375,000 on a 33,000 square feet warehouse let *to transport companies in* Worcester at £38,800, giving the fund a net yield of around 10 per cent.

And clients of Knight Frank and Rutley last month acquired a freehold warehouse at Henley, *let to a Metal Box subsidiary* at £32,500 with modern reviews and still showed a net yield of around 10 per cent. The sort of property which provides this *yield will continue to attract* plenty of takers, particularly as the market in the 7-8 per cent. range is getting so competitive (Commercial Union Properties' *purchase of the freehold in*terest in a unit at The Causeway, Egham, let to Data Recording Instrument, to show an initial return of 8 per cent. *being* a recent example of this level of transaction).

The comfort of a 10 per cent. initial yield, or the 7-8 per cent. available on prime created investments, is a balance to the risk element in funding new *schemes. Only the shortage of* some prime investments is currently pushing the institutions into looking at fundings in such numbers.

But for the moment, established developers have a ready market for their expertise and, short of a role reduced to mere project management which once looked likely, and with decent profits still available, *they appear to have* interest rates and institutional demand running in their favour.

Quentin Guirdham

Demand

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Even with the best intentions, legislation aimed at easing the planning restrictions for industrial developers will take *time to be adopted into the* bureaucratic systems of authorities' planning offices. Industrial Development Certificates may now be limitations in name only. But clerical *practice takes* a long *time to* catch up with policy changes, and developers still face expensive delays before they can initiate projects, delays which underpin the eventual scarcity of space argu*ment* for industrial rent growth.

Individual agents' reports of a slow but steady rise in industrial rents are borne out by the Royal *Institution of* Chartered Surveyors' recent poll of member firms, carried out jointly with the Financial Times.

On the national average, a third of the poll's respondents reported that modern factory rents are *rising, and 39* per cent. felt that warehouse rent levels were moving ahead. Most of the remaining firms believed that rents were static. And for the first time in 18 months reports that rents for industrial space were falling were virtually eleminated.

Quite apart from the supply/demand equations, one factor working in favour of industrial rent increases is the relatively

Charges

low proportion of industrial unit costs made up by accommodation charges. In the past four years the number *of rent re*view cases referred to arbitration through the RICS has increased from about 400 to more than 3,000 a year. Office tenants make up *the overwhelming* majority of the complainants because as office management costs (and particularly rate bills) increase the cost conscious tenant is *increasingly* reluctant to automatically *accept commercial* rent reviews. The industrial tenant tends to be less litigious because for him rents account for a significantly lower proportion of overheads than *for* his office colleage.

In the final analysis, demand for industrial property depends upon the level of industrial activity in the country. And although that may seem to stray into the realm of stating the obvious, it is a factor that is frequently overlooked in the hectic day-to-day business of the market.

The ostensibly contradictory facts of a rising investment price for industrial space at a time of static, even declining industrial, output and of rising factory and warehouse rents at a time when 6.1 per cent. of the adult workforce is out of work, can only be reconciled within the assumption that the economy has hit rock bottom and is on its way up again. If it really is on its way up, all well and good. The financial and rental pointers will have been in the right direction, and forward assumptions about both *will be borne out. If not,* investors, tenants and developers will have sufficient other worries not to bother about industrial rents.

John Brennan

Oil provides the driving force in Scotland

IF IT SEEMS odd to single Scotland out for special study in an industrial property survey, the anomalous position of Scotland within the national economy these days must be sufficient justification. Traditionally slightly out of synchronisation with the rest of the country, the anomalies have only been heightened since the discovery of oil in the North Sea.

The facts speak for themselves. Industrial recovery in Scotland appears to be running slightly ahead of the U.K. as a whole. In the last quarter of 1976 the new index of industrial production stood at 113.5 in Scotland and only 106.9 for the U.K. Growth came particularly from the manufacturing sector, chemicals, metals and electrical engineering. Possibly these were a spin-off from oil itself, but there was also improvement in textiles and clothing.

Since the improvement was made despite a substantial drop in Scottish shipbuilding and marine output, and during a period when whisky distillers were beginning to feel the pinch of sluggish economies worldwide, oil related industries seem to have been the main driving force.

What is particularly encouraging about this is that the impact of oil is now percolating right through all sectors. For instance, construction output in Scotland has shown a real defensive strength at a time when the rest of the U.K. is wallowing in the worst phase of the slump.

To be sure, the recovery has since slowed down—as it has done throughout the country—but oil continues to provide a defence especially, these days, through the service industries and small specialist manufacturing concerns concentrating on maintenance and replacement business for the oil industry.

In the second half of last year four oilfields came on stream making a total of seven in production. At that point the emphasis in the industry changed from exploration (though this has gone on apace) to production and transportation, and processing.

The earlier phase which involved major contracts for rig construction has pretty well gone, but most of the back up industries have a continuing future repairing the ravages which the bitter conditions in the North Sea inflict.

But oil is not the only source of work. There are proposals afoot for a £400m. power station on Loch Lomondside, details of which will shortly go to public appeal. If it goes ahead the station will supply the whole of Scotland's electricity needs.

The Scottish Development Agency is beginning the £120m. project to redevelop the East End of Glasgow through a mixture of demolition and replacement of slum housing. The scheme contains a substantial amount of industrial redevelopment as part of the concept of revitalising inner cities. In any case, even the housing aspects will call for sizeable back-up in the form of building materials.

It is no wonder that the Scottish Industrial Estates Corporation, now under the wing of the Scottish Development Agency, continues to forge ahead with its building programmes. In 1976 the SDA let its stock of advance factories at the rate of one a week and approved expenditure of more than £10m. on land renewal projects.

As of mid-August it had a stock of 3m. square feet of industrial premises, including 212 advance factories of which only 23 were unlet (some 440,000 square feet), ten were under construction, and 36 more are planned.

Shortages

Available space seems superficially high. Including the advance factories under construction and planned (a total of 500,000 square feet) there were 1.7m. square feet empty or coming on the market shortly.

This global figure, however, masks some genuine shortages in good locations which are consequently fetching high rents. At Dyce airport, for instance, rents of £2 have been common throughout the summer. Edinburgh factories and warehouses are offered for rent between £1.50 and £2, though actual rents may be between £1.40 and £1.70. Some other areas such as Fife and Aberdeen are also strong.

The demand is sufficient not only to support the Scottish Industrial Estates Corporation but also to provide steady work for a number of private industrial developers such as Slough Estates and John Laing.

The picture is not all rosy, however. Much of the gloss is only by comparison with the rest of the U.K. which remains in the stranglehold of severe recession. And some of the gloss is wearing off. A number of eminent observers and analysts have been voicing warnings both for the short term and long term for parts of the region at least.

The British Road Federation and the Transport Action Scotland pressure group have recently complained that in spite of reassurances that roads to support the oil industry would be exempted from spending cuts, some are being deferred or delayed. They cite as examples the M9 and the M876. According to these groups there are some 82 miles of roads under construction or due to start in the next two years. Beyond that there is a serious threat to the road programme.

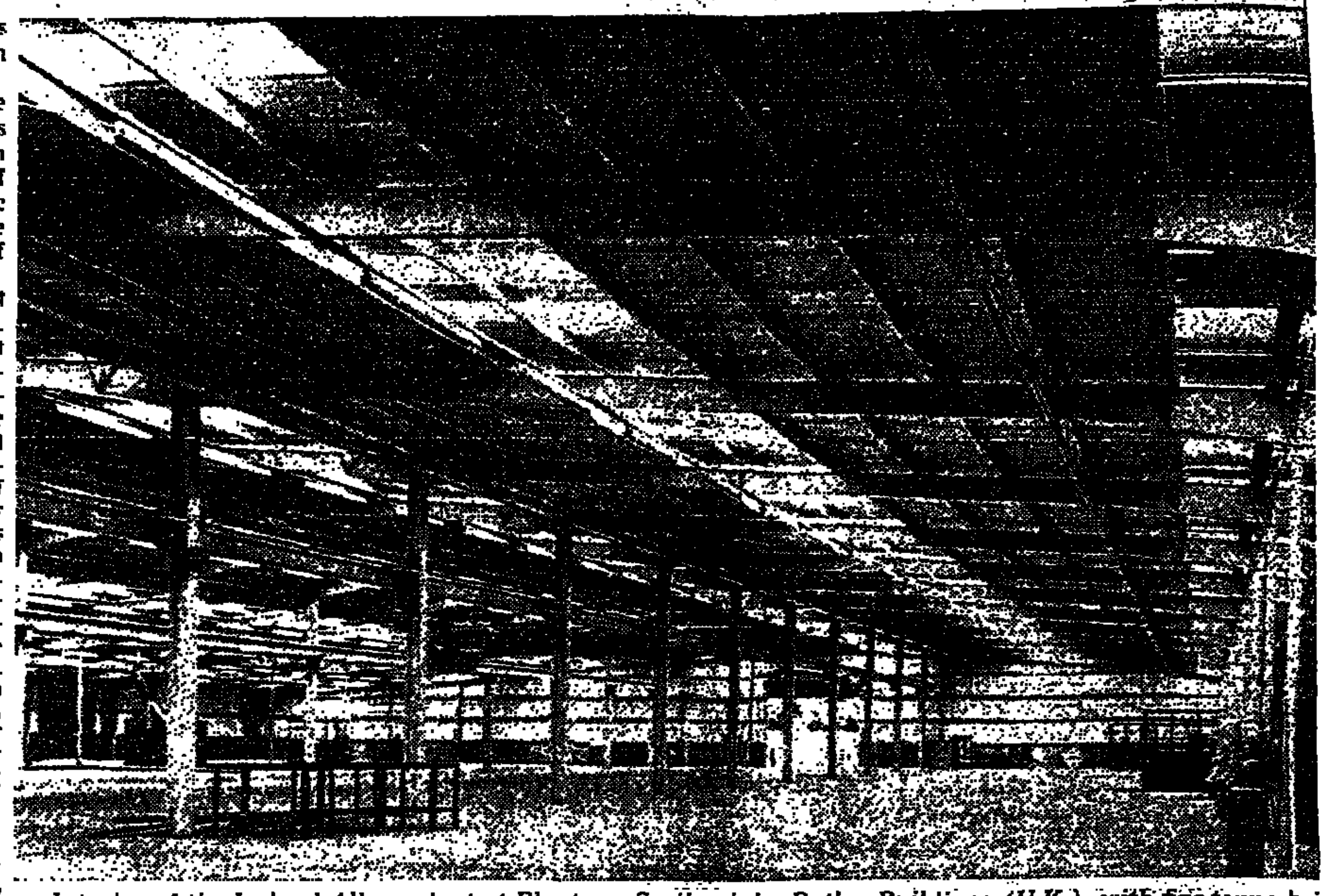
The Highlands and Islands area continues to be one of the truly depressed regions in the country. Virtually none of the revenue generated from its main products is reinvested in the area, according to a special study undertaken by the influential Fraser of Allander Institute for Research on Scottish Economy. Despite the efforts of the Highlands and Islands Board, it claims, decline and stagnation will continue until planners face up to the fact that the term "economy" implies both output and input.

There is cause for caution also in the figures of assistance provided by the Scottish Development Agency itself. In the first full year of operation—it made three investments in Scottish companies needing financial injections. Now 18 months old it has assisted at 29 sickbeds to the tune of £11m. and has a further 35 under consideration.

Possibly some of these companies could have battled on alone but the disturbance, confusion and uncertainties engendered by the threat (or promise) of devolution makes them hesitate to invest their shareholders' funds in projects whose future they cannot clearly assess. Their banks are showing equal slow footedness—and who can blame them.

For all this, the £200m. annual budget for regional assistance for Scotland is money well spent. For once it is supporting industries in doing what makes commercial sense in the location which is apt for their business. Unlike the money poured into many of the other development areas it is not just a lure.

Christine Moir



Interior of the Ireland Alloys plant at Blantyre, Scotland, by Butler Buildings (U.K.), with five-tonne bri crane in the centre bay.

New developers emerge

TWO YEARS AGO it appeared likely that a new breed of industrial property developers would emerge. Activity at that point was, admittedly, low. But few established developers were prepared to extend their activities, many companies had dropped out altogether, and the logic of an investment holding company looked in more jeopardy than usual. If any sort of development momentum was to be maintained a direct role for institutions seemed likely, with an expanded role for builder-developers the other possibility.

Both these new forces have emerged, but have by no means dominated the market. In practice traditional funding, plus one or unexpected new faces in the industrial development scene, have made up a different mix.

Among these new faces an example is Haslemere Estates, the devlopment group which had previously concentrated its efforts virtually exclusively on the refurbishment of period London office buildings. Haslemere stated at the time of its rights issue in 1975 that it would devote the proceeds to industrial work.

This it has done with a £3½m. Hounslow scheme for 280,000 square feet of warehousing, a 2.6-acre site costing £260,000 at Feltham, and further projects at Bryn, near Wigan, at Hitchin, Leyland, Banbury and Bishop's Stortford.

This is a substantial programme, comparable in size to that of some of the builder-developers who made a push into industrial schemes during the recession years. Laing and Trafalgar House were perhaps the clearest examples, while other old hands like Taylor Woodrow and Rush & Tompkins also continued in the market.

Whether these developers have timed the market right will be a key question answered over the next year. Most of them are reporting encouraging lettings or sales so far, but these are substantial programmes which have some way to run yet. As far as investment values go, however, once the estates let up, the market has definitely moved their way.

What, then, of the institutions which have made this lively investment market? Many insurance groups like Standard Life and Commercial Union, with the attraction of the use of industrial building allowances, are similarly old hands in the direct development business.

But while insurance company property investment will remain a powerful (net acquisitions of £449m.) force, and direct development activities probably expand, pension funds have taken over as the biggest investors. In comparison, the bulk of them are inexperienced in direct development. Industrial developments can be convincingly argued as their obvious first step in this direction.

As it happens, the leading direct developer among pension funds, the Electricity Supply Nominees, came to its present industrial programme after long experience of retail and office schemes. Its managers took the view early that to get the right quality of investments (at the basic level they were sceptical of the building standards of many speculative developers) they needed to initiate. ESN now puts around half its new funds each year into direct schemes.

Its recent industrial projects (and it has further shown a strong commercial view by not encouraging pre-letting, reckoning that it was building in a rising rental market) include 80,000 square feet in Southend, 52,000 square feet in Sunbury on Thames, 110,000 square feet at Cumberland Avenue, London N.W.10 and 263,000 square feet on Merton Industrial Park.

The Coal Board and the Post Office funds are also prominent in direct development and it will not be surprising if the number of funds involved in direct development does not increase in the next few years.

"They'll be plenty of funds giving ESN a run for their money" is a common assumption among agents, but the trend can be over-emphasised. At present traditional funding methods, despite an increasingly keen market for even speculative schemes, seem to satisfy most institutions.

The extension of funds into direct development implies a large increase in staff, or an unusually close relationship with chartered surveyor advisers. Many funds may feel nervous of either of these, though a shortage of good created investments on the market, the human instinct to do one's own development, and the appeal to instincts of social responsibility, particularly for

CONTINUED ON NEXT PAGE

An industrial estate in Skelmersdale where, with unemployment running at 20 per cent., new investment is very welcome.

Fashions change in the investment market

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disillusioned with the prospects of property development introduced to it through its Ralli takeover, did not in 1975 want to risk much of its own capital in speculative development. So it linked with a mainly building company, Flaxyard, equally typical of the times in being a builder prepared to take on some of the risks of development partly due to the slack outlook in contractual work.

The owner of a prime South Eastern site, as this is, would now be either risking their own money in such a scheme or probably funding it from the start with an institution.

And that shift in confidence is directly paralleled in the yield at which the two phases have been sold at an interval of a little over a year. On the first, with top grade retail covenants, the yield was just over 8 per cent. On the current transaction for the second phase, the yield is just over 7 per cent.

A full point's change, with the 1976 deal struck well before any interest rate worries *briefly disturbed* the investment market in the autumn, is a significant shift in the pretty stable *pattern of property yields*. But the popularity of industrial investments has meant that these have outdistanced office blocks in the rise in capital values seen this year, competing with shop properties, at a gap of around two points on the initial yield.

The arguments supporting these fashions in investment tactics contrast. In shop properties institutions are looking at high site values, a pattern of rents which—with a pause in 1975-76 though exceptional performance in some earlier years—has been loosely tied to the Retail Price Index, and a belief that next year may see a revival in real terms of consumer spending.

Defensive

When considering the industrial market, institutions can see none of the potential for getting out large chunks of money in one jump, as the Knightsbridge sale and several shopping centre fundings have illustrated. But *then* the bulk of pension funds are, with under £10m. of property investments, not in this market, and find the usual size of industrial investments as convenient as the usual high street shop.

Against the defensive qualities of high site values which retail positions can provide, industrial investments appear to offer rental patterns which cue in neatly with building cost inflation. Again, the 1975-76 inflationary spiral has been bypassed, but *there is evidence* from more normal times, now being reasserted, that manufacturing *and distributive industry* is attuned to rents which reflect this basic replacement price.

And balancing a belief in the reversal of the downward trend in consumer spending, and in part *influenced* by the same belief in an oil-based period of economic revival, investors can anticipate a growing demand for rented industrial space.

Added to these fundamentals may be the marginal influence of the political acceptability of industrial investments. This was illustrated by the evidence submitted to Sir Harold Wilson's Committee to Review the Functioning of Financial Institutions by the National Association of Pension Funds, a document which also contains much on the broader themes of institutional property investment.

The document stressed the *industrial finance provided by* funds in pumping £530m. into property last year. Top of its list *in these investments* were, it said, "industrial units."

To give this prominence to *what in most portfolios is still* comfortably the smallest of the three main sectors of property investment seems in itself evidence of political overtones.

But then, in defining such industrial units, to mention only factories, and not warehouses, is to deny the realities of the *market, where warehouse units* —with perhaps some possible alternative as light industrial units—are the favourites.

The Association went on to spell out some of its members' criteria. "Pension funds do tend to prefer multi-purpose units of modern design. A fund would require a good covenant before considering an investment in a highly specialised unit and to be in a position to grant a long lease."

This difficulty with specialist units is a continuing one, and the bogey of sale-and-leasebacks on specialised units has been with investors since at least the days of the ill-fated Rootes Motors transactions, though the present consciousness of the need to fund industrial investment probably means that it is being studied more seriously than at any time in the past. The member championing the tone of Pension Funds Association's evidence most recently was the one joining in the *£3.5m. funding of new facilities* and plant for British carpets, the Guthrie subsidiary, in Glasgow.

Reminder

But the problems of specialised buildings, and this almost inevitably includes major manufacturing premises, will remain. The mass of large industrial premises now on the vacant possession market is a reminder to investors of how soon such buildings can become outdated by changes in production methods.

The place of institutions in the funding of industry, despite the reticence about mentioning low-employment warehouses (possibly filled with imports) is well stated in the Association's evidence:

"The acceptability of commercial property by banking and savings institutions has enabled the emergence of an alternative and satisfactory basis for the financing of industry's *requirements. In an inflationary era* many projects provide relatively low returns when straight debt attracts very high interest rates. In some cases new capital projects would not proceed without a form of finance which provides a low interest cost in the initial years. The sale and leaseback method of financing has proved invaluable in this context as a device which suits both parties' objectives."

The fall in interest rates (which anyway helps to increase the sale value to companies) will do little to undermine this logic. The institutional appetite for industrial investments is also unlikely to abate, and an illustration of this eagerness is that Flaxyard obtained funding, on a purely speculative basis, for the £3m. scheme it is now *involved in at the Gatwick* International Trading Estate from Sun Alliance and London Insurance Group. Such funding is now a commonplace, where two years back it had dried up almost completely.

Quentin Guirdham

Developers

CONTINUED FROM PREVIOUS PAGE

funds with worries (possibly ill-founded) about the motivations of union representatives among the trustees, all appear to point to more direct institutional development.

It may be worth recalling that in the first days of the Community Land legislation, it was assumed by Government that with the demise of the private company as developer, and the hindrances of CLA and DLT, there was no need for a third party in the relationship between local authorities and institutions on development projects.

The alternative, for those funds considering the investment market, and the development funding market, *too hot at* present, would be to look for company portfolio takeovers. But the Land & House and Artagen bids were the only notable public company examples during a period when share prices were far lower than now, and special circumstances influenced both cases.

But bid tactics would get round the increasing problem *of getting sufficiently large* chunks of money into the industrial sector in which individual *investments seldom exceed even* £½m.

The snag lies in some large stakes in the leading industrial groups which look unwilling sellers. There are a third or higher family or family trust stakes in Allnatt London, Percy Bilton and Evans of Leeds. Such large stakes may eventually make takeovers easier, but not while the individuals concerned value independence.

Brixton Estate has a 23 per cent. stake held by Clerical, Medical, but also a nearly 7 per cent. stake, plus options related to the 1975 funding agreement, *held by* Royal. Slough Estates has no dominant shareholdings, though its capitalisation is high enough to put a bid out of range to all but the largest institutions.

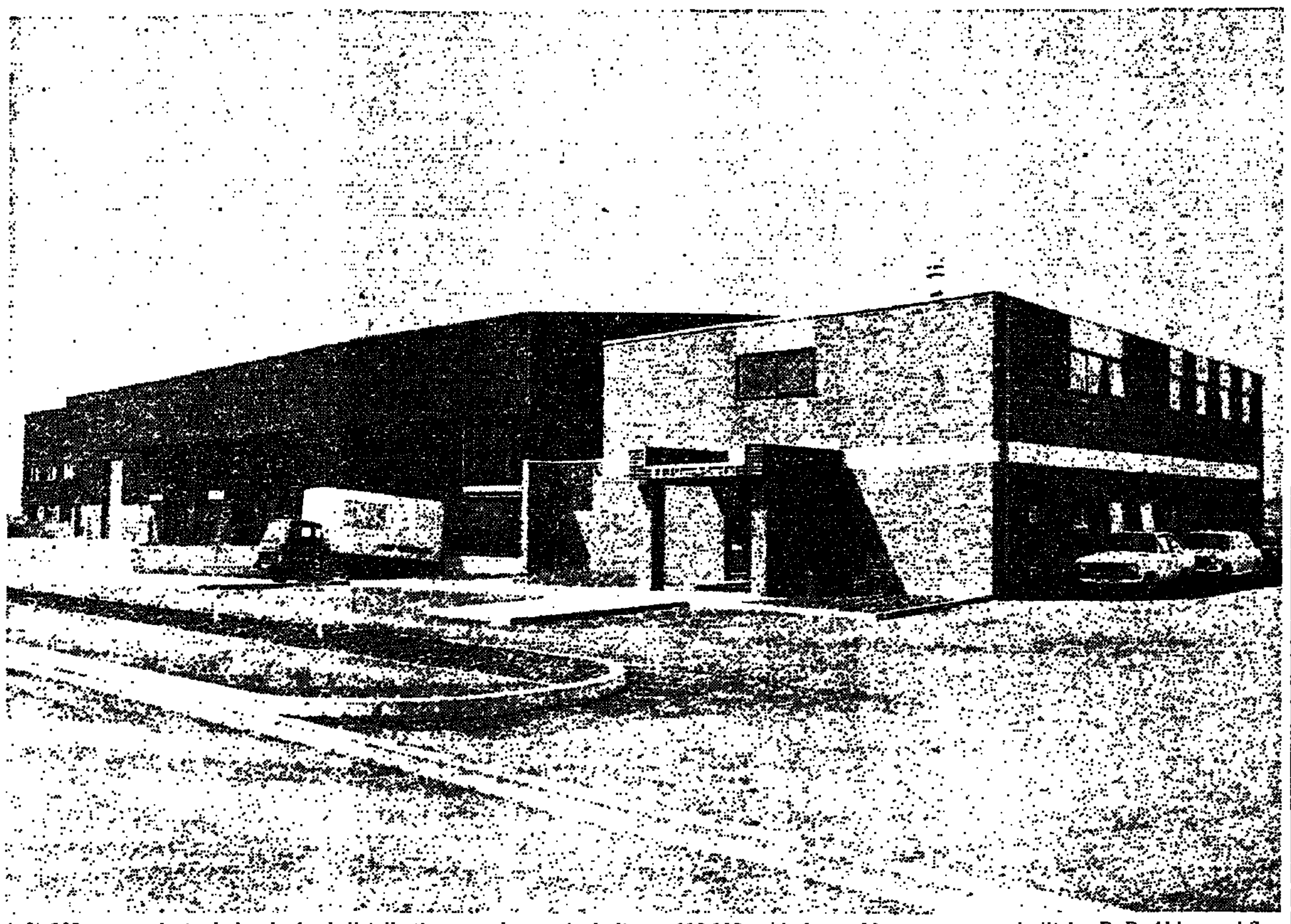
Estates Property Investment is 20 per cent. owned by Phoenix Assurance, but there is, as at Brixton, both an existing Royal Insurance holding (7.5 per cent.) and options relating to funding. National Provident Institution *also holds* 6.5 per cent.

The logic of present tax structures *makes bids from the gross* funds or insurance companies likely. But there may be no *great rush, and indeed* institutions might be expected to delay bids until conditions once more *turn strongly against* property companies and depress share prices.

The funding links which are being developed most strongly at present between institutions and proven developers, both quoted and private companies, seem to suggest that for many years yet the role of the developers, if not their profit margins of the boom period, will be encouraged.

The relatively lower financial strength the developers need to offer institutions evidence that rental guarantees can be met, mean that these relations are *particularly suited to industrial* development.

Quentin Guirdham



A 28,000 square feet wholesale food distribution warehouse, including a 100,000 cubic feet cold store, purpose-built for R. R. Alden and Son by the Ashville Group on its Abingdon Trading Estate at Oxford.

Security standards still inadequate

EVERY FACTORY manager has his own favourite crime story. There are tales of hired cranes lifting newly completed cars over security fencing, of warehouses that vie for the distinction of having invented the phrase about bargains "falling from the back of a lorry," and of engineering works that manage to "lose" £80,000 four-ton milling machines. One of the best stories centres on Prince Phillip's visit to a shipyard. The yard's manager was asked if the hundreds of small boats moored in the bay beyond the works belonged to the company. His comment was that they did, "but we can't prove it."

Managers may be keen to discuss their more amusing experiences of industrial crime. But the security industry complains bitterly that few of these managers are willing to take the problem of factory and warehouse thefts seriously.

Inadequate standards of security help criminals to redistribute an estimated 4 per cent. of the country's gross national product every year. And when the £700m. crime business is added to the annual £230m. of direct losses from fire damage, the security firms' complaints are understandable.

Excluding sales of locks, bolts, safes and the like, the market for security products and services in Britain is now worth around £150m. a year. Recent surveys of that market show that between a fifth and a quarter of security companies' turnover comes from protecting privately owned industrial and manufacturing plant. But is that enough? The security men—obviously—say no.

They argue that with few exceptions companies are unwilling to spend more than the bare minimum on security, just sufficient to remain within the terms of their insurance cover.

One of the most common complaints is that factories are left in the care of underpaid pensioners, students or casual workers. All three forms of cheap, do-it-yourself security have their merits. But to paraphrase one insurance risk manager: the pensioners sleep, or get knocked on the head; the students sleep, or read; and the casuals either sleep, or are too busy helping their colleagues to empty the place to notice that it is on fire.

Introducing uniformed private security guards for the first time can raise a mass of labour relations problems. However delicately the question of theft, pilferage, or that splendid euphemism "shrinkage" is raised, the arrival of a blue uniform and alsatian is bound to test the man-management relations within the factory.

Perhaps the awareness of this problem, and the tacit acceptance of a certain level of pilferage—either by long established tradition or simply as a "blind eye" method of retaining staff through the period of the wage freezes—accounts for the frequent doubts expressed by factory managers about the quality of staff employed by the specialist security companies themselves. Any excuse, it seems, will suffice to mask an unwillingness to act.

Back street security businesses, often literally one man and a dog, are clearly little better than applying do-it-yourself methods. But the national security groups, the 58 members of the British Security Industry Association, can claim an excellent record for staff recruitment. The companies are not permitted to follow Continental and American practice in having access to police files to weed out applicants with criminal records. But the companies make full use of their police contacts on an informal basis. And, for the more sensitive jobs, such as pay-roll guards, the companies generally carry out a detailed review of an applicant's past employment record, often ranging back as much as 20 years.

Exceptions

There are always exceptions to the rule, and even the most reputable companies have to admit the occasional embarrassment of discovering active criminals on the pay-roll. But the informal vetting system generally works, the Home Secretary recently confirmed that he had no plans to introduce a licensing scheme for the companies, and, even more important, a reputable security company cheers the insurers and should lighten premiums.

Cutting corners in the selection of intruder and fire alarm installations can be as expensive in the long run as turning to a cheap security guard operation. And, since there are no legal controls on suppliers and installers of alarms, here again the selection of the right security system for the job is as important as the decision to get a system in the first place.

Around 25,000 alarm systems are installed every year. And in a very competitive market, low installation prices often mean inefficient systems, badly serviced and maintained. As a result, no less than 95 per cent. of all alarm calls throughout the country are now false alarms.

Human error or design faults account for around half of the false calls. Direct system failure and sudden weather changes account for the other half. And on the few occasions that an alarm is triggered by a burglar, he can rest assured that the undermanned police force are not going to speed to the scene with TV cop enthusiasm.

Many forces now issue a warning letter to alarm users saying that there will be no police action if there are more than four or five false calls a month. And many more forces have ripped out police station alarm panels and rely upon traditional patrols and calls from the public to spot intruders. As industrial properties tend to be sited away from areas with an active night-time population, this trend away from alarm response emphasises the value of active private security patrols.

Installation

The British Standards Institution and the aNtional Supervisory Council for Intruder Alarms have attempted to set standards for equipment design and installation. And insurance companies' insistence on the use of alarms complying with British Standard BS 4737 has helped to elimniate some of the more patently inefficient machinery from the market. But the false call rate tells its own story. And until alarms are aagin taken seriously by the police, they will remain little more than nominal protection against he casual, "impulse" thief.

Fire protection systems have a rather better record. But there are always the inbuilt dangers in cheaper installations of tall men with pipes and similar random problems. The business is an excellent example of the adage that you will get what you pay for.

Industrial buildings and industrial estate design can play a major role in easing the technological and staffing costs of security. But so few developers look beyond the problems of access and basic factory or warehouse lay-out to eventual security problems. And developers' lack of interest in the subject merely reflects occupiers' unwillingness to consider preventing, rather than merely insuring against the results of, criminal or fire damage.

The sad fact about industry's lack of security consciousness is that advice on the whole subject is just a phone call away in the risk manager's office of every major insurance group. Sifting through the sea of competing security devices and services is best left to professionals employed by the insurers and insurance broking groups. In the last analysis, the protection they advise will be saving them money, so you can be sure that you will get the best. Although there is always the risk that if you follow their advice to the letter you will end up with six armed guards for every employee.

John Brennan

TO-DAY

BY JOE ROGALY

Spread the largesse via child benefits

At the same time one's faith that the economic consequences of such-and-such a policy for "reflation" or "tax-cutting" or "vote-catching" in the autumn are predictable in any useful sense of the word is limited: the economic witchdoctors will not agree among themselves and recent history suggests that any individual citizen is about as likely to guess right as any economic adviser. We all *know* that over-spending is wasteful; no one can be certain that this form of tax cut is likely to be more beneficial (or less harmful) than that one.

The way is clear, therefore, to advocate something that seems reasonably likely to do a bit of good for a large number of individuals. Child benefit is now payable on behalf of all children; the money goes to the family with whom the child is staying and usually to the mother. Since payments are made on behalf of some 14m. children, the annual cost of a £1 a week increase in the rate would be some £728m. This need not necessarily be recurring, as we shall see in a moment.

Tax free

Child benefit, it will be recalled, replaces the old Family Allowance. It is tax free, which means that it puts money in the handbag of the wife of even the highest-rate tax-payer (provided only that they have children). The present weekly rate is £1 for the first child and £1.50 for each succeeding child, with an extra 50p for the first child in the 250,000 or so one-parent families that are drawing benefit. Some of this has been financed by a reduction in the child tax allowance or, to put it in the way people feel it, by an increase in the tax paid by fathers.

As matters stand, the process will continue next year. It was announced in mid-July that from April, 1978, the benefit will be £2.30 per child, plus a £1 bonus for one-parent families. This, too, will be partly financed by a reduction in the child tax allowance, although there is a net extra cost to the general taxpayer of £300m. The present plan is for a third and possibly final instalment to be paid in April, 1979, when the remaining child tax allowances for children under 11 will disappear altogether.

This is why any distribution of £750m. or so in a pre-election Budget this autumn need not necessarily be recurring: the Chancellor could say that he was merely bringing forward the increase in child benefit promised for April 1979, while still leaving the final abolition of the tax allowance until that date.

Before it is protested that recurring or not, any such policy would be unjust to people who are not bringing up children, the reply must be that short of posting two or three fivers to each of the men, women and children in these islands there is no absolutely equitable option available. A straight cut in the income-tax, which would have to be much more costly if it was to make any serious impression, would do nothing for those who do not pay it, a boost to capital spending in the construction industry would be especially selective.

But why select families with children? One reason is that during the first part of this decade the balance of advantage of our tax and social security system has been swung away from families and towards other currently favoured sectors, notably pensioners. This has coincided with a fall in the birth-rate towards levels below those necessary for the existing population to replace itself, let alone grow.

At the same time it is families, and particularly large ones on low incomes, that have experienced some of the worst hardship of recent years. The recent thought-provoking report of the Supplementary Benefits Commission (a model of what a departmental report should be, in contrast to the concurrent Department of Health and Social Security Report, which is facile and relatively uninformative) provides much evidence of the wastage of young lives that is involved.

Teenage children growing up in families that depend on supplementary benefit, says the report, "are more likely to leave school early than the average youngster, and they more often wish to leave for financial reasons." The detailed evidence has been given to the Supplementary Benefits Commission by the National Children's Bureau. Poorer children are twice as likely as others to live in overcrowded homes, or in homes without an indoor lavatory, a hot water supply, or a bathroom." "Those who have lived on supplementary benefit for a long time are even worse off."

Such hardship for those on the supplementary benefit scale rates, which exceed child benefits by a considerable margin, is indicative of the difficulties faced by large families living on the income of low wage-earners. It is among these families that one most often finds that it might pay better to live on social security than to work.

Thus one way of reducing the extent of the infamous "poverty trap"—the disincentive to work created by relatively high benefits—is to increase the incomes of those who work. For those most likely to find themselves in this trap—large families—a higher child benefit is one way of doing it. Of course the effect is reduced by the extent to which the operation is financed by withdrawing child tax allowances, for that lowers the tax thresholds of families with children. But there is no iron law of offset in this case.

Again, since the benefit is general (although by no means universal) it could not be said that the whole of the £750m. was being devoted to poor-relief. Much of it would be cashed, and spent, by middle and higher income mothers. This would have the advantage of taking some pressure off "ordinary" household budgets at the same time as doing some good at the worst end of the scale. Straight help for the poor is usually best given direct, which has to involve some kind of means test whatever protest the social welfare industry may make—but in the present case there is no need to quarrell, as we have an existing, agreed benefit intended for all families.

Where should it all end? *Adding £1 to the weekly rate* proposed for next April would bring the figure to £3.30 per child: the Supplementary Benefits Commission report says "ultimately, we would like to see a level of child benefit equivalent to the allowances we pay for children in families living on supplementary benefit—currently about £5 a week for each child on average." The Commission has its own reasons for wanting such a goal—one of which is that until lower-paid families with a breadwinner in work have more to spend, the political resistance to any increase for the commission's own clients will remain strong.

Such a reason may be theirs; it is not necessarily mine. The Commission is in the midst of supervising a review by civil servants of the whole system of supplementary benefits, whose results ought to be with Mr. Ennals by the end of the year. To the extent that its proposals simplify existing procedures and rigorously separate those who need the money from those who really are sponging on the rest of us it will be a political success. There is plenty of room for ideas, as the Commission's report shows: it even makes one more attempt at the apparently impossible by suggesting that it may be practical to design and put into force a sensible replacement for the present tangle of housing subsidies.

The table shows the administrative costs for different types of client: apparently it costs only £36 worth of official time a year to keep a pensioner in benefit, but £134 a year for a one-parent family. Yet savings in the cost of administration, welcome as they would be, would be insufficient to offset the waste of public feeling against the benefits system that has been making itself felt in recent years. The real savings must come by identifying those not in need and ceasing payments to them.

It may be correct that the numbers involved would be insignificant: what the Commission needs to do, even more assiduously than before, is to demonstrate this beyond any doubt. Short of a wholesale revision of the system, brought about by a revolution (reaction?) in public thinking about welfare in the modern state, there is not much else to be done. In the real world we badly need such a revision: in the other world, of Dr. Witteveen, and Mr. Healey, and how to provide a Christmas present for the well-behaved British in November, another pound in the purse of mothers would be far less bad than many other possibilities one could think of.

THE COST OF SUPPLEMENTARY BENEFIT, DECEMBER 1976

Claimants	Total numbers	Percentage of all claimants	Total annual gross cost £m.	Total annual administrative cost £m.	Average annual benefit cost per claimant £	Average annual administrative cost per claimant £	Percentage of total gross cost	Percentage of total administrative cost
Pensioners	1,687,000	57%	639	61	344	36	31%	29%
Unemployed*	654,000	22%	750	82	981	120	37%	39%
One-parent families†	303,000	10%	430	41	1,275	134	21%	20%
Sick claimants	243,000	8%	167	19	619	80	8%	9%

* Estimated. † Excluding those included in other groups.

Source: Annual Report of the Supplementary Benefits Commission.

Letters to the Editor

'It would appear however that *when this service was connected* the action necessary to put this line on our computer file was not commenced. . . ." In passing, I would mention that this letter was signed by a different member of the accounts division than signed the first one. Neither, however, was the general manager.

I suppose that I should have discovered for myself that we had not been charged during this *time*, but as *I said* earlier, we are a small company and it is easy to overlook the bills for one line when *you have eight in all.*

It amazes me to think, though, that the Post Office can be so offhand in informing a company of a debt the size of which could seriously embarrass the cash flow of a smaller firm.

H. I. Thurgood.
Hood Sailmakers.
Bath Road, Lymington, Hants.

Accounting and inflation

From Mr. M. Mumford.

Sir,—For month after month the financial Press has contained letters on the inflation accounting debate which have argued at cross purposes, one with another. It would usually be helpful, in this debate, to keep clearly in *mind the distinction* between a "proprietary" and an "entity" view of the firm. Under the former view, gains on debt capital may be regarded as part of income and may indeed be withdrawn as dividends without reducing the invested capital of the proprietors (whatever the consequence may be for the productive capacity of the company). Under the entity view, by contrast, gains on debt capital do not benefit the company, and should not be regarded as part of income. The emphasis here is upon the productive capacity of the enterprise (and the way in which these activities are financed for the future is a separate consideration altogether).

Mr. D. C. Damant (September 19) *confuses these two views* when he writes that "gains and transfers of wealth, on the other hand, cannot be measured under a current cost *system*." It would certainly be possible to measure such transfers of wealth, by adopting a proprietary *view* of the company. It can easily be shown as a separate figure, using *a general or specific price index* according to the assumptions made about proprietor's capital.

In my view the strongest objection to the current proposals from Godley, Gibbs et alia arises from the risk of confusion between the *proprietary* and entity views. Current cost accounting is usually thought of as an *entity view*, designed to maintain productive capacity (except for obsolete assets) of the company as a whole. The proposal to incorporate the gearing ratio into the measurement of income implicitly imposes a proprietary *concept upon the* income measure.

The proposed systems not only raise *some difficult* points of definition and measurement, they also intermingle proprietary and entity aspects which I am sure would be far better kept distinct. There is no reason why the profits of the entity should not be *measured first, with full* charges for depreciation etc. and 100 per cent. of holding gains *credited to reserve*. Then in the appropriation section the profits of the entity can be divided between those entitled, with the ordinary shareholders being credited with any shift in purchasing power which may arise from debt capital. Such an approach would have the benefit that unappropriated profits (those controlled by the entity itself) could be distinguished quite clearly from capital which *was owed to outside parties.*

M. J. Mumford.
(Senior Lecturer in Accounting)
Department of Accounting and Finance,
University of Lancaster,
Gillow House.
Bailrigg, Lancaster.

Choice of training

From the Chairman, Education and Examinations Committee, The Association of Certified Accountants.

Sir,—It would be presump*tuous of me to comment* specifically on the performance of candidates for the English Institute's examinations (Michael Dixon in The Jobs Column, September 22) but as all the major accountancy bodies have at one time or another over recent years expressed concern about examination pass rates the subject is one that concerns the profession at large.

My own body, the Association of Certified Accountants, continues to devote a lot of effort and thought to the problems of *monitoring the performance of* candidates and examiners and we are currently conducting a wide-ranging analysis with the assistance of the computer department of Leeds Polytechnic. Even so, the experience of many years indicates that many candidates fail simply because they present themselves for examination without adequate preparation—although we do not use this as an excuse for doing *nothing to check and, where* possible, improve our examination procedures.

Your writer's suggestion that accountancy trainees shop around to find the easiest route to qualification does not ring true and it seems more probable that their choice between training in a practising office or in industry or commerce is a conscious one based on individual preference. Furthermore, he omitted to mention the Association in his survey of the range of choice—although it currently attracts by far the greater number of examination candidates. It accepts approved experience gained in either sector—unlike the other bodies mentioned—and there is much evidence that its policy in this respect *is a source of strength* when recruiting high-quality students.

Desmond Goch.
22, Bedford Square, W.C.1.

Strikes have a long history

From Nina Fishman.

Sir,—*Anthony Harris* is so clear-headed about economic matters that it was surprising to find him lapse into a sullen muddle about the "sinister bread strike" in Lombard of September 19. While he might think that strikes aimed at the public are a 1970s phenomenon, his journalist predecessors in *1889 believed the dock strike* of that year to be the first time that the public's sympathies were courted and used by trade unions to affect their battle with employers. The Times found it worrying that Mr. Gladstone should intervene in a *miners'* strike in the 1890s, but he was only the first Prime Minister to treat *industrial disputes* as the stuff of politics.

If Anthony Harris had done some economic *analysis*, he would have seen that strikes became a matter for national politics as the *labour market became* national, that is when wage rates began to be determined nationally. *The Government's role in* the Great War economy only accelerated a tendency to *national wage rates and national* collective bargaining. In the 1850s a strike was no less a matter of politics—but of local politics.

What Anthony Harris complains of is not that strikes have a political dimension, but that politicians in the 1970s have not had the courage to take the necessary political measures to deal with them. The balance of power has been in the trade unions' favour since 1945, yet there has been a signal failure to goad them into assuming the *positive responsibility for pro*duction which should accompany power. Instead, we have witnessed a series of laws by which politicians have sought to alter the balance of power; apparently believing that they had the means to change society by the force of law.

After the 1926 General Strike, intelligent Tory politicians, including Harold Macmillan, concluded that the State and the established order had nothing to gain from "winning" such a confrontation. The reason is that trade unions will continue to possess the greatest power in a highly industrialised society. A Government must see that trade unions take responsibility for that power, as 19th century Governments made capitalists face up to their power. The Bullock Report's proposals were the first step in this direction. That report deserves urgent attention from anyone seriously concerned with *politicians' current failure to* deal with strikes.

Nina Fishman.
138, Lordship Road, N.16.

Mortgage payments

From Mr. C. Winter.

Sir,—I often hear that mortgage *interest rates cannot be* changed frequently because of the costs involved. Might I suggest that in general mortgage interest be paid one year in arrears with special arrangements for the first and last years.

During the course of any year changes in the mortgage rate are simply published in the *national press*. At the end of the year the weighted rate for that year is calculated and this is the fixed rate for the following year.

During the first year the previous year's fixed rate is paid *and then in the second year* repayments are adjusted to take account of the actual rate which should have been paid in the first year and that actually paid.

Adjustment for the final year would usually be small and made at the time of completion.

C. L. Winter.
1 Burrows Close, Great Bookham, Surrey.

Deposit account interest

From Mr. A. Bhat.

Sir.—Apropos of Messrs. Wyatt (September 19) and Shaw's (September 22) letters on interest on current accounts, a much more unjust system prevails in Scotland with regard to deposit accounts.

Unlike the English clearers and *the building societies* who pay interest on a daily basis, all the Scottish clearers pay interest only on the minimum monthly balance. Perhaps the Prices Commission enquiry into banks should include an investigation as to how this situation can exist when for all practical purposes the two sets of banks are not disparate.

A. Bhat.
19, Hillhead Street,
Glasgow.

To-day's Events

GENERAL

Mr. Denis Healey, Chancellor of the Exchequer, expected to make major speech at International Monetary Fund annual *meeting, Washington.*

Formal opening of Liberal Party Assembly, Brighton, with speech by Mr. David Steel, Party leader. Mr. Cyril Smith, MP, addresses private meeting on Lib-Lab pact.

Mrs. Margaret Thatcher, Opposition leader, visits Orkneys on last day of Scottish tour.

EEC Agriculture/Fisheries Ministers end two-day meeting, Brussels.

Mr. Roy Jenkins, President, European Communities Commission, and Mr. Roy Hattersley, Prices Secretary, speak at Food *Manufacturers' Association con*ference, Grosvenor House, W.1.

Conference on rules governing commercial exploitation of Antarctica continues, London.

Labour Party launches £2m. "*pound-a-brick*" appeal to develop its new headquarters site in Southwark, South-East London.

GLC London and South Eastern Regional Council meets.

Windscale public inquiry continues, Whitehaven.

Mr. Maurice Jones, editor of Yorkshire Miner, appears before Willesden Magistrates' Court on charges of insulting behaviour on Grunwick picket line and of *subsequently breaching his own bail* recognisance.

Police Superintendents' Association conference, Torquay.

COMPANY RESULTS

Barratt Developments (full year). Ibstock Johnsen (half-year).

COMPANY MEETINGS

Hambro Trust, 41, Bishopsgate, E.C., 11.30. ML Holdings, Savoy Hotel, W.C., 12. Priest (Benjamin), Hagley, Worcestershire, 12.15. Western Board Mills, Cardiff, 12.

OPERA

English National Opera production of La Boheme, Coliseum Theatre, W.C.2, 7.30 p.m.

BALLET

Sadler's Wells Royal Ballet perform Concerto Barocco, Gemini, and Pineapple Poll, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

MUSIC

Margaret Phillips gives organ *recital of music* by J. S. Bach, and Vierne, St. Lawrence Jewry, next Guildhall, E.C.2, 1 p.m.

Norbert Blume (viola) and Christine Croshaw (piano), City Music Society, 230, Bishopsgate, EC2, 1.05 p.m.

SPORT

Boxing: Dave Green v. Andy Price (U.S.), Wembley. Show jumping: Everest championships, Northwood. Soccer: Anglo-Scottish Cup: Notts County v. Motherwell. Tennis: Pernod Trophy, Edinburgh.

COMPANY NEWS + COMMENT

Percy Bilton's £1¼m. housing write offs

Percy Bilton, the industrial and residential property developer and contractor, is making write-offs of £1.25m. in its housing division. These are needed, "in the light of additional facts which have gradually emerged since the retirement of the former managing director in December 1976."

Mr. Percy Bilton, chairman and managing director of the group, makes this statement with half time figures showing pre-tax profits up from £2.65m. to £2.98m. The company's annual report in May had referred to "certain management weaknesses" and lack of control" in the housing division and to a provision for "substantial losses."

The former managing director (and deputy chairman) referred to is Mr. Bryn Turner-Samuels. Mr. Bilton, aged 80, took on the job of managing director as well as the chairmanship when Mr. Turner-Samuels left.

At the time the company denied that there had been any rift between the two men But Mr. Bilton soon made it clear that he had become disenchanted with Mr. Turner-Samuels, managing director since 1965. The annual report made no reference to him bar noting the date of his retirement.

Mr. Bilton has since stated that he intends to drop some of his executive duties soon. The Board has recommended that his son, Mr. Don Bilton, succeed him as chairman. Trusts founded by the Bilton family hold 42 per cent. of the company's equity.

The troubles in Bilton's housing division are thought to stem from the company having to make good sub-contractors' work on units mainly for the public sector. The write-offs will be made against reserves as an extraordinary item relating to previous years.

Apart from the housing division write-offs Bilton's interim results, with investment and trading income of £3.167m. (£2.902m.) and a net profit available to the company of £1.42m. (£1.53m.), indicate that the company's specialisation in industrial estates is making its expected progress. A further 300,000 square feet has been let since January and further lettings are substantial.

The interim statement also says that the company is having its properties valued, something it has not done since forced to for its Stock Exchange flotation in 1972. Balance sheet values at the start of the year were £46m.

HIGHLIGHTS

With profits almost £2m. lower the half-time statement from Fisons disappointed the market; the trading story was very much one of tough conditions in the fertiliser sector. Recovery in overseas profits is the basis of not less than £18.5m. from Laing for the year but there are warnings of further decline in the U.K. market. Lex also takes a look at the gilt market following rather exceptional gains in this area. Elsewhere, Adwest is raising £2m. by way of a rights issue while the announcement is accompanied by another healthy increase in profits. Overseas brokerage has bolstered the income at Willis Faber but in the second half there will not be the currency benefit noticeable last year, while strong growth on the fabric side has enabled Parker Knoll to offset the poor trading climate in furniture.

Sunlight ahead at half time

The laundries and dry-cleaning company, Sunlight Service Group, pushed up pre-tax profits from £179,376 to £289,944 in the first half of 1977. Turnover was £3.51m., against £3.76m.

The directors expect, on the basis of current trading, that profits this year will continue to show a satisfactory increase.

The interim dividend is raised by 10 per cent. to 0.35937p net per 10p share; also declared is a payment of 0.1077 per cent. following the reduction in ACT. The 1976 total was 1.02201p, paid from profits of £621,336.

The directors point out that the 1977 figures include six months of Modeluxe Linen Services which was purchased in August 1976.

They report that the period has been one of intense activity. With the inclusion of Modeluxe in the group it has been able to review completely production facilities for both domestic laundry and linen hire work.

As a result of this the period has seen the closure of three domestic laundries in Leamington Spa, Southampton and North London and has also seen the conversion of plants at Bournemouth, Glasgow, Windsor and Mossley into total Linen Hire operations.

The results from both the domestic laundry and linen hire divisions can be considered to be satisfactory, particularly having regard to the continuing reorganisation of the group.

All other sections of the business traded to expectations during the period.

H. Vincent advances to £0.57m.

CONFECTIONERY AND toffee manufacturers, Harry Vincent—a close company—lifted pre-tax profits from £380,600 to £569,203 for the year to June 25, 1977 on turnover of £7.97m. against £6.04m. At halfway profits were £275,006 compared with £203,281.

After tax—computer in conformity with ED19—of £131,917 (£201,050) stated earnings rose from 10.9p to 25.6p per 25p share. The final dividend is 3.22383p net on capital increased by the May one-for-two rights issue, for a 4.59885p (3.025p) total.

The directors state that they are currently unable to meet the exceptional demand for the group's products in spite of increased production levels.

They are embarking on a further three-year self-financed capital investment programme of £1.4m., a level substantially higher than formerly.

They are also recommending to shareholders that the name of the company be changed to Blue Bird Confectioner Holdings which is more closely associated with the main product range.

WADHAM—96½%

The recent rights issue by motor dealer Wadham Stringer has attracted acceptances of 96.54 per cent. New shares not taken up have been sold in the market and the net proceeds of 8.72p per share will be remitted to provisional allottees except that no payment will be made for less than £1.

Peak £2.3m. for Parker Knoll

ON TURNOVER up by £2.71m. to £17.3m. furniture manufacturer Parker Knoll achieved record taxable profits for the year to July 31, 1977, of £2.27m. compared with £1.74m. after £1.05m. against £0.68m. at halfway.

The directors state that although the order book remains satisfactory, trading conditions are currently less buoyant than they would like. They add that they would not be surprised if the total market in the current year was smaller than in the immediate past.

Earnings per 25p share are shown as 25.6p compared with 18.5p and the dividend is stepped up to 3.226p (2.889p) with a final of 2.353p net.

As from August 1, 1977 group accounting policy for arriving at the cost of work in progress and finished products was changed to comply with SAP No. 9. It is stated.

While the furniture division performed well in relation to its markets, the advance in profitability came mainly from the fabrics division. Group exports increased by 35 per cent.

During 1976-77 investment in buildings and machinery to provide for future growth and improve efficiency amounted to some £800,000. In order to take the maximum advantage of the heavy capital expenditure in recent years, the directors have decided to introduce significant improvements to production and selling organisations in the furniture division. This will result in a high revenue expense in the current year, but they are fully confident that this will improve profitability in the longer-term.

	1976-77 £000	1975-76 £000
Sales	17,299	14,594
Pre-tax profit	2,268	1,740
Tax	1,110	909
Net profit	1,158	828

profits from the fabrics division, despite slightly lower profits from the carpets side. Overseas sales of fabrics contributed £1.9m. to exports, up 35 per cent. at £2.15m., with higher exports bolstering group margins from 11.8 to 13 per cent. Profits from the furniture side, however, are about 8 per cent. below last year's record level reflecting the current depression in the industry which saw deliveries from manufacturers drop by almost 12 per cent. in the second quarter this year. G. P. and J. Baker was the star performer on the fabrics side—which contributes around two-fifths of turn-over—with pre-tax profits from chintzes and printed linens for curtains and upholstery rising by around 35 per cent. A share price of 91p gives a yield of 5.5 per cent., covered almost 8 times, and a p/e of 3.5.

● **comment**

A 31 per cent. improvement in pre-tax profits from Parker Knoll—after 54 per cent. growth in the first half—is due almost entirely to a 40 per cent. increase in

Energy Services up 89% so far

REFLECTING a continuation of the improvement made in 1976, first half 1977 pre-tax profits of Energy Services and Electronics advanced by 89 per cent. from £244,000 to £461,000 subject to reduced tax of £50,000 compared with £29,000. Earnings are shown to be ahead from 0.32p to 1.1p per 10p share.

Mr. R. Rigby, the chairman, expects the current level of turnover and profitability to be maintained or improved during the second half and the lower rate of tax should continue.

The debit balance on the profit and loss account has been reduced from £517,000 at end 1976 to £59,000 at June 30, and in view of this the directors are resuming interim dividends with a payment of 0.1p net per share. They hope to pay an increased final for the year and to restore a more normal dividend policy in 1978 subject to working capital requirements.

For 1976 a single final payment of 0.1p was made. Pre-tax profits came to £563,000 and earnings per share to 1.09p.

The low charge for tax reflects the adoption of ED19 and the use of past losses and recoverable ACT. The adoption of ED19 also results in the charge for the half-year to June 30, 1976, and the full year 1976 being reduced by £25,000 and £53,000 to £29,000 and £127,000 respectively.

Turnover expanded by 30 per cent. to £3.37m. Direct exports amounted to £1.27m. and when the sales and hire income of overseas subsidiaries are taken into account, almost 50 per cent. of turnover is represented by sales overseas.

As expected inflation, the financing of expansion, and payments to the Neve minority shareholders have meant only a modest improvement in liquidity and borrowings at June 30 were very similar to those at end 1976. Payments to the Neve minorities during the half-year amounted to £125,000.

	Half year 1977 £000	Half year 1976 £000	Year 1976 £000
Turnover	3,369	2,587	5,335
Trading profits	431	223	583
Tax	50	29	127
Net profit	411	215	436
To minorities	6	27	31
Loss of cos sold	—	8	22
Extra-ord. debits	—	—	49
Leaving	405	193	334

Sir Maurice Laing, chairman of John Laing and Sons, who reports first-half profits of £8.71m., compared with £8.15. Despite the decline in the U.K. construction markets and the growth of international competition overseas, the directors are expecting full-year profits to be not less than last year's record £18.5m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Adwest		5.25	Nov. 11	4.74	7.75	6.94
Celtic Haven		0.29	—	0.26	0.29	0.26
Crosley Building	int.	2	Oct. 31	2	—	4.13
Energy Services	int.	0.1	Feb. 24	Nil	—	0.1
Fisons	int.	5.5†‡	Jan. 3	4.8	—	11.51
Haden Carrier	int.	2.75	Nov. 24	2.75	—	7.8
John Laing and Son	int.	1.25	Nov. 12	0.75	—	2.82
Lockwoods Foods		3.69	Nov. 9	3.3	3.69	3.3
A. Martin	int.	1.5†	Jan. 5	1	—	2.81
Parker Knoll		2.35	Nov. 4	2.1	3.23	2.89
Sunlight Service	int.	0.36	Oct. 29	0.32	—	1.02
Travis and Arnold	int.	0.69	Nov. 18	0.62	—	3.41
Utd. Capitals Inv.	int.	0.41	Nov. 8	0.38	—	0.9
Harry Vincent		3.22	—	1.79	4.6	3.04
Willis Faber	int.	2.88	Nov. 18	2.5	—	7.5

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes 0.087p for 1976 on reduction of ACT.

A. Martin first half headway

FIRST HALF 1977 taxable profits of clothing manufacturers Albert Martin Holdings expanded from £410,000 to £661,000 on turnover of £8.11m. against £5.5m.

The directors are confident that for 1977 as a whole the group will achieve another satisfactory increase in profit and they feel sure that the group is well set to make further progress in the future.

On capital increased by the June two-for-seven rights issue, earnings per 20p share are shown as 3.8p (3.74p), and the interim dividend is lifted to 1.5p (1p) net. At the time of the rights issue the directors forecast a total dividend for the year of 3.64p and as a result of the reduction of ACT this is increased to 3.696p. The directors add that as the reduction is less than they anticipated there will not be an additional dividend for 1976. Total for 1976 was 2.8149p paid from record profits of £1.07m.

The directors add that as they expect that ED19 will form the basis of an accounting standard before the end of 1977, and adoption of this would result in a significant transfer from the existing provisions for deferred tax to shareholders funds.

	Half year 1977	Half year 1976
Turnover	8,105	5,497
Bank interest	117	51
Pre-tax profit	661	410
Taxation	346	213
Attributable	315	197

● **comment**

Volume at Albert Martin continues to push ahead. Within the 47 per cent sales increase, price rises probably only account for around 15 per cent. Marks and Spencer takes some 45 per cent. of sales, and here Martin's expansion into the outerwear market is producing buoyant growth with the proportion of underwear volume to outerwear now roughly 60:40. Exports have also kept up the pace with strong demand in France for Shetland knitwear and indirect exports through M and S continuing to make headway. Thanks to the strong trading links with M and S, Albert Martin is set for a good year and pre-tax profits could comfortably top £1½m. and perhaps get nearer £1.7m. The only real problem will be capacity but the group plans to spend some £¾m. this year on increasing its outerwear production for M and S and at Shetland knitwear, and the £1m. rights issue last July should finance most of the expenditure. Even on the lower profits estimate the prospective p/e on average capital is only 5.6 while the yield is 7.9 per cent. at 72p; inexpensive against other M and S suppliers.

Blackwood Hodge (Nigeria)

Blackwood Hodge (Nigeria) reports profits after tax for the six months to June 30, 1977 of Naira 2.53m. compared with N 1.73m. and the directors expect full year profits will show a satisfactory increase over those for 1976.

Adwest peak £5.6m. — £2.5m. rights

RECORD pre-tax profit of £5.61m. for the year ended June 30, 1977, compared with £4.22m., is announced by engineers Adwest Group and the directors propose a one-for-six rights issue to raise £2.5m.

According to the directors, the issue is to enable the company to take advantage of any attractive acquisition opportunities and to facilitate increased capital expenditure in the longer term.

Referring to current trading, they state that the economic conditions of the country have improved mainly due to North Sea oil. It is still found, however, that the industries in which the group operates are not growing at the rate that had been hoped, and in most factories capacity is not fully utilised. Liquidity has been maintained despite an increase in capital expenditure.

Excluding prior year adjustments basic earnings per 25p share are shown to be 36.9p (29.1p) and fully diluted 29.2p (21.6p). The net final dividend is 5.2479p for a maximum permitted 7.7479p (6.9369p).

Subject to a satisfactory level of profits, they intend to recommend 10p on the enlarged capital for the current year, for which Treasury permission has been obtained.

At halfway profit was up from £1.18m. to £1.75m.

Capital expenditure on plant and equipment in the year 1976-77 increased sharply to £2.5m. This process will continue in the current year during which planned capital expenditure amounts to £4.3m., and the directors expect such capital expenditure to rise further in subsequent years.

These levels of capital expenditure, which can probably be met from internal cash flow, exclude any expenditure which may be required for development of the 192 acres of presently undeveloped land at Woodley Aerodrome. Most of this land is likely to be developed for residential use on a basis which will not require substantial finance from group resources. Some industrial development, mainly warehouses with some office space, will take place when firm tenants are found. It may well be appropriate to fund the cost of the industrial and warehouse development, expected to be about £1.5m., at least in part from group cash resources, it is stated.

The directors, furthermore, continue to look for suitable acquisitions and no allowance is made for the cost of acquisitions in the above figures of capital expenditure.

Referring to details of the issue, the directors say that at an extraordinary general meeting on October 12, 1977 a resolution to increase the authorised share capital will be proposed. Subject to the passing of this resolution and to the new Ordinary shares being admitted to the Official List by the Council of The Stock Exchange, provisional allotment letters will be despatched on October 12, 1977 to holders of Ordinary shares and of Executive Incentive Scheme shares. It is expected that dealings in the new Ordinary shares, nil paid, will commence on October 13.

The proposed issue of new Ordinary shares has been underwritten by S. G. Warburg and Co. The brokers to the issue are Joseph Sebag and Co.

● **comment**

Adwest, with its combination of automotive products and central heating pumps is perhaps one of the most obvious companies to be producing buoyant results. Nevertheless the profits increase of a third is very reasonable, with central heating motors a major feature behind the increase with its contribution to profits after loan stock interest up from £262,000 to around £ ... Though new housebuilding is slack the replacement and modernisation markets are equally important and with exports probably accounting for over half the division's sales. Meantime automotive products including steering gear, hinges and thermostats have held up well against a modest drop in car production during the months. This is somewhat surprising, since most of the car products have a limited replacement market and the bias towards British Leyland where disruption must have hit the performance. As for the rights issue Adwest backs it with plans to spend more this year than in the last two together excluding any development costs at Woodley Aerodrome. But even after the dividend increase the prospective rights yield of 5.4 per cent at 288p is hardly an inspiring return—though the shares had an element of speculation since Racal (which will take up its rights) bought a 6 per cent

TEACHER CHANGES YEAR-END

Teacher (Distillers) announces that following the merger with Allied Breweries, the financial year will now end on the Saturday in September instead of on January 31 as formerly.

MEAD & CO announcement

MEAD & Co Limited have pleasure in announcing the appointment of Robin M. Andrews as director of their international operations, based in London.

John Cathersides will continue to maintain his responsibilities as London office manager

MEAD & Co Limited

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BURMA MINES LIMITED

Revenue (unaudited) for 6 months to 30th June 1977 £670 (1976 £4,481), taxation £(264) (1976 £798), net revenue £934 (1976 £3,683).

Net asset value per share (excluding claim against Burmese Government) including 100% of investment currency premium 10.0p (8.0p).

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Willis Faber Limited

Interim Report

Statement by the Chairman, Mr. Julian Faber

The unaudited pre-tax profits of Willis Faber Limited and its subsidiary companies for the first six months of 1977 amounted to £10.8m, an increase of 26% on the figure of £8.6m for the first half of 1976.

All classes of income – brokerage, underwriting fees and commissions, investment income, profits of Sovereign, share of profits of associated companies – showed an improvement over the period. It is especially satisfying to be able to report that in our experience the volume of business coming to the London market from overseas has been particularly buoyant, and that the increase in our profit on such business owes nothing this year, as it did last year, to movements adverse to sterling on the foreign exchange markets.

While results for the first half-year are not a reliable guide to those of the full year, I anticipate that we will continue to make satisfactory progress.

Having reached the normal age of retirement I shall be stepping down at the end of the year. I think it is fair to say that the six years of my Chairmanship have been eventful ones. They have seen, amongst other things, the establishment of our two freehold office buildings, namely our London headquarters at Ten Trinity Square and our new Country Head Office at Friars Street, Ipswich, which between them should take care of the Company's accommodation requirements for the foreseeable future. These years have also witnessed a very considerable growth in our business, and last year saw the successful introduction of our Company's shares on The London Stock Exchange. These events, and much else besides, have been the direct result of team effort, and it is to a very strong team that I shall now be handing over.

The Board of Willis Faber Limited announce unaudited results for the Group for the six months ended June 30, 1977.

	6 Months Ending 30 June 1977 £m	6 Months Ending 30 June 1976 £m	Year Ending 31 Dec 1976 £m
Profit before taxation	10.83	8.60	16.32
Taxation	(5.81)	(4.71)	(8.89)
	5.02	3.89	7.63
Extraordinary items	.15	.12	(.39)
Minority interests	(.01)	—	—
Profit attributable to the members of the Company	5.16	4.01	7.24
Dividends:			
Preference	.05	.05	.10
Interim	1.15	.46	.46
Final	—	—	2.00
	1.20	.51	2.56
Earnings per share	12.40p	9.61p	18.83p

The Directors have declared an interim dividend of 2.875p (11.5%) net, payable on 18th November, 1977, to shareholders registered at the close of business on 28th October, 1977. The dividend will carry a tax credit of 1.4811p per share. An interim dividend equivalent to 2½p net (gross 3.788p) per share was paid prior to the listing last November of the Company's shares on The Stock Exchange. The qualifying share capital at that time was 465,000 £1 A Ordinary shares out of a total issued Ordinary share capital of £1 million, and the dividend paid was £1 (100%) per Ordinary share.

Willis Faber Limited
Ten Trinity Square, London EC3P 3AX

...n Laing forecasts ...least £18.5m.

...S decline of the ...m markets and the ...ty of international ...rseas continue to ...o John Laing and ...rectors. However ...vel of activity has ...! and first half ...ofits show an in- ...5m. to £8.71m.

...ance of a recovery ... overseas, mem- ...and the directors ... profits to be not ... record £18.5m. ...value provisions) ...76.

...dividend is lifted ...1.25p net per 25p ...73,000. Last year's was 2.07375p.

	Half-year 1977 £000	1976 £000
...	196,009	184,080
...ome ...	2,104	1,994
...	6,511	7,468
...	1,905	1,374
...	8,718	8,348
...	4,500	4,450
...	4,218	3,898

...re of associates.

...of the property ...folio, estimated as ...end of 1976, has ...l by favourable ...further additions. ...l improvement in ... property invest- ...has been demon- ...r. "Although the ...res have nearly ...e since the start ... nevertheless feel ...ot adequately re- ...s profit record and ...s assets," says Sir ...the chairman. ...e Lex.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Alva Investment Trust, Blockleys, Estates and General Investments, Finlay Packaging, Ibstock Johnsen, Oxley Printing, Solicitors' Law Stationery Society, Tomatin Distillers, Unicorn Industries, United Newspapers, C. and W. Walker, Walmoughs.

Finals—AB Electronic Components, Barratt Developments, Consolidated Plantations, John Haggas, Lydenburgh Platinum, MFI Warehouses, R. P. Martin, Patani Para Plantations, Sime Darby, Sizewell European Investment Trust.

FUTURE DATES

Interims—

Bourne and Hollingsworth	Oct. 7
British Home Stores	Oct. 19
Bulgin (A. F.)	Oct. 10
Empire Stores (Bradford)	Oct. 12
Finlan (John)	Oct. 7
Freemans (London, S.W.9)	Oct. 3
Glossop (W. & J.)	Oct. 6
Hamilborne	Sept. 28
Marshall Cavendish	Oct. 3
Reed (Austin)	Oct. 4
Sabah Timber	Sept. 30
Stag Furniture	Oct. 12
Finals—	
Consolidated Gold Fields	Oct. 12
Copson (F.)	Sept. 30
Ingall Industries	Sept. 29

British Land also announced that it will sell a 50 per cent. interest in Paris Property valued at around Frs.120m. to the Dutch investment firm Beleggingsmaatschappij Weredhave.

The properties, comprising of 25,000 square metres of shops, offices and flats opposite the British Embassy in the eighth arrondissement, are fully let and financed to the extent of a Frs. 75m. long-term fixed-rate mortgage.

British Land loan stock result

British Land announces that applications for the new 12 per cent. convertible unsecured loan stock 2002 have been received in *respect of £9,890,225 of stock.*

Holders of the existing 9¼ per cent. unsecured loan stock 1978 have elected to receive cash in lieu of 12 per cent. stock in respect of £603,964 nominal of the new convertible stock—16.3 per cent. of the maximum nominal amount of stock. In addition £4m. of new convertible stock is being issued to repay part of *the indebtedness of the Crown* Agents.

Accordingly, £4,603,964 of new *convertible stock will be available* for subscription and applicants for new convertible stock have been sealed down on the *following* basis: applications up to and including £10,000 stock allotted in full, thereafter 34.8 per cent. of the amount applied for with a minimum of £10,000 stock.

The proposals remain subject to the passing of the necessary resolutions at meetings convened for October 3.

Crossley Building deficit

A COMBINATION of adverse circumstances rendered first quarter results of Crossley Building Products deplorable; the second quarter was not greatly improved, state the directors, but currently trading conditions are much better.

The future promises a slow but *steady and consistent return* to profitability and given reasonable weather for the remainder of the year, they expect to eliminate an *£87,034* pre-tax loss for the first half of 1977, which compares with a profit of *£484,031 earned in the previous comparable period.*

The deficit per 25p share is shown to be 1.01p (earnings 4.1p). The net interim dividend is held at 2p—last year 4.134p was paid from profits of £1m.

Production problems at the new brick and tile works at Broomfleet have been solved but the low level of demand and high *level of stocks necessitated* a reduction of production by one half in March.

Demand is now more reasonable and full production is scheduled to resume in October. Low sales also affected transport companies and the merchanting company in addition, suffered from increased costs and bad debts.

The outlook is improving. The *directors are confident that the* Broomfleet works, which represent the company's largest ever single investment, will produce a worthwhile return on investments *given only marginally* better trading conditions.

	First half 1977 £	1976 £
Turnover	7,595 090	8,203,000
Trading profit	340 495	984 525
Interest	169 495	117,607
Deprec	297,942	292,797
Extraord. credit*	39,998	—
Loss	87,034	†277,891
Tax	—	205,140

*On sale of buildings and land. †Profit

...sue ...azard ...ty Tst.

... Property Unit ... an issue of units ...ember 30, 1977 at ...45, showing a £35 ...*une and a total of* ...end of 1976.

...perty yields and ...obtainable on the ... have fallen, the ...ssue price is ex- ...out 5.73 per cent. ...reversions fall due ... few years, which ... steady growth in ...come and capital

...rmed in 1967, is ... the purchase at ... of additional ...nents.

Faber up £2m. in first half

INSURANCE BROKERS Willis Faber lifted pre-tax profit 26 per cent. to £10.8m. in the half year to June 30, 1977, and while the results cannot be taken as a reliable guide to the full year satisfactory annual progress is expected.

Mr. J. Faber, the retiring chairman, reports increases in all classes of income—brokerage, underwriting fees and commissions, investment income, profits from its insurance subsidiary Sovereign and its share from associated companies. Combined income rose from £17.3m. to £20.75m.

He says the volume of business coming to the London market in the period was particularly bouyant. But the *increase* in profit on this business owes nothing, as it did last year, to the fall of sterling on foreign exchange markets.

The interim dividend is stepped up from 2.5p per 25p share to 2.875p; and earnings rose to 12.4p *per share compared with 9.61p* last time. Total payout last year was 7.5p from profits of £16.32m.

	Half year 1977 £m	1976 £m
Income	20.75	17.31
Expenses	12.15	9.96
Profit of Sovereign	0.27	0.06
Share of associates	1.99	1.19
Profit before tax	10.85	8.60
Tax	5.91	4.71
Net profit	5.07	3.59
Extraordinary credit	0.15	0.12
Minority interests	0.01	—
Attributable to Ord.	5.16	4.01
Pref dividend	0.05	0.05
Interim	1.15	0.45
Retained profit	3.96	3.50

● comment

Willis Faber's profit growth in the first half reflects across the board improvement with particular strength from overseas brokerage. Unlike last year, when there was a *£3m. currency windfall, mostly in* the second half, currency movements in the current half are likely to produce a small deficit for the year. However, profits from Sovereign, which has already shown that the overhang from the old marine business is now past history should continue to forge ahead over the rest of the year, and associates' prospects also look good. Still, in the main business areas it may be too much to hope for a repeat of first-half performance and £20m. profits for the year look a reasonable estimate. This would leave the shares at 308p standing at more than 13 times prospective earnings.

Lockwoods on target with £2.2m.

FRUIT AND VEGETABLE canners Lockwoods Foods has matched half time predictions pushing pre-tax profit £299,000 higher to a peak £2.24m. in the year ended May 31.

At halfway—when a rise from £801,000 to £941,000 was shown—directors said that although last *year's drought had adversely* affected all fruit and vegetable crops there had been a substantial increase in sales and profitability of carbonated drinks and a continuation of the better first half was expected.

Tax takes £1.15m. compared with £1.01m. and leaves net profit at £1.1m. (£929,000). Tax for the 1976-77 has been reduced by £81,000 because no deferred tax provision has been made where the liability will not materialise in the near future. Consequently £1.24m. of the deferred tax provision will be released to reserves in the 1977 accounts.

Earnings are shown at 18.42p per 25p share (15.55p) and the dividend is 3.68952p (3.3033p) net.

Fertiliser division hits Fisons at half time

POOR WEATHER conditions and difficulties with ammonia supplies resulted in pre-tax profit of Fisons, the agrochemicals, fertilisers, pharmaceuticals and scientific instruments group, falling 17.5 per cent. from a record £10.32m. to £8.5m. for the first half of 1977, but Sir George Burton, the chairman says there is reason to believe that full year *results will be satisfactory.* For all 1976 profits reached £18.64m.

Total first half sales rose from £116.6m. to £138.25m. with an increase in all divisions and all divisions except fertilisers and *the newly-created horticulture* activity expanded their profit.

Although Fison's share of the fertilisers market improved and good export volumes were recorded, prices were artificially low in the U.K. due to the ammonia supply situation and the division's profit fell from £4.01m. to £201,000.

The net interim dividend is *raised from 4.8p to 5.5p,* absorbing £2.04m. and including an additional 0.037p for 1976 following the reduction in ACT. Total paid for 1976 was 11.5115p.

Sir George reports that trading profit was *adversely affected by* U.K. weather conditions and the ammonia supply situation affected fertiliser margins.

Nevertheless, the 25 per cent. growth in the profits of both the pharmaceutical and scientific equipment divisions, emphasises the underlying strength of the group as a whole and its base, now strengthened by the acquisition of Gallenkamp, he adds.

In agrochemicals where profit rose from £3.03m. to £3.11m. difficult weather conditions in the spring and early summer in *northern Europe—including the* U.K.—held back expansion, although the 12 per cent. increase in sales indicates continued growth from Nortron and Ficam.

In fertilisers the overriding problem of margins remains while pharmaceuticals had a good half, improving mainly overseas.

Steady progress is being *achieved in the U.S. with the* new Somophyllin Bronchodilator range. The Syntex agreement, already announced, should provide opportunities for greater penetration of the Cromolyn Sodium *market, though recovery will be* slow.

	First half 1977 £000	1976 £000
Sales	138,251	116,645
Agrochemicals	22,642	20,111
Fertilizers	65,660	53,556
Pharmaceuticals	29,611	25,254
Scientific equip.	8,727	6,612
Horticulture	8,537	7,435
Merchanting	3,074	3,147
Trading profits	9,176	11,959
From assocs	722	610
Activity profits*	9,898	12,569
Agrochemicals	3,107	3,034
Fertilizers	201	4,013
Pharmaceuticals	5,046	4,009
Scientific equip.	890	711
Horticulture	569	767
Merchanting	85	35
Short-term int.†	52	642
Deb. and loan int	1,255	1,606
Pre-tax profits	8,511	10,322
Tax	1,872	1,589
To minorities	25	13
Attributable	6,615	8,719

* Struck after research and development expenditure £5.25m (£3.72m). † Less investment income

A new product, Nalcrom, has been approved for sale in the U.K. for treatment of certain inflamatory conditions of the bowel such as ulcerative colitis.

Scientific equipment sales advanced 28 per cent. and profits 25 per cent. from £711,000 to £890,000, Sir George states, and the Fisons and Gallenkamp merger will provide opportunities to build a more powerful export and overseas operation.

Horticulture, which became a *separate activity on January 1, has* shown encouraging sales growth and although profits are down from £767,000 to £569,000 "for short-term reasons," the general trend of this business continues to be favourable.

Merchanting produced profits of £85,000 against £35,000 and should make increasingly significant pro*fits over the coming years.*

Of the future, Sir George says it is already evident that contrary to the usual pattern, the fertiliser division will earn usefully more profit in the second half of 1977 *than in the first half.*

This does not indicate a solution to the underlying ammonia supply problems but reflects the impact of the most recent price increase although U.K. fertiliser prices are *still substantially below those on* the continent.

See Lex

Ultra share probe result soon

A statement is expected within the next day or two announcing the findings of an investigation into the dealings in the shares of *Ultra Electronics Holdings* prior to the take-over bid last February from Dowty Group. It is not yet clear whether that announcement will be made by the Stock Exchange Council, which is understood to have seen a report, or by the Take-over Panel.

The dealings in question caused Ultra shares to rise as high as 95p before the Dowty offer—subsequently countered by Racal, but ultimately successful—had been announced. On news of the bid, February 18, the Ultra price went ahead to close at 143p.

One fund manager is thought to be at the centre of the investigation, though it is not yet clear whether he will be named in the statement.

...y Wiggins results out soon

...AYED results for ...Wiggins, the oil ...xploration group ...problems with its ...drilling contract ...d to be announced ...r. The company ...n is Mr. Paul ...eady said that a ... was made f...

...ns, which, in a ...row last ...d company with ...u, its merchant ...rokers W Green... ...executive director, ...nt its results for ...first three months ...given on June 23 ...27 it was stated ...of the group's ...aken longer than ...had yet to be ...sults for 1976 and ...ur months of 1977 ...as soon as possible. ...for the company ..."The results will ...very near future ...r the last financial ...of the current

...of the substantial ...any's annual meet... ...fter the date by ...ld, under Section ...mpanies Act 1948 ...d. The Act lays ...t more than 15 ...lapse between one ...meeting of a com... ...ext, Berry Wiggins ...eting took place on ...so that the follow... ...have been he's by ...977.

...'s shares last night ...t 28p, which com... ...1977 range of 24p ...low of 14p in 1976.

ings are shown at 48.04p (7.41p) per 25p share.

The directors are proposing a dividend amounting to £80,000 *(£20,000), subject to the receipt* of funds from Bangladesh, on receipt of the funds a further statement will be made.

capital) could be issued under this or any other incentive scheme. There would also be a limit of 200,000 on shares issued in the first year and one of 80,000 a year thereafter.

The number of those directors and other staff participating will initially be about 50. The options themselves will cost £1 and the price at which participants will be able to subscribe for shares will be the greater of nominal and 5 per cent. above the market price.

Smith Bros. off to good start

TRADING RESULTS of Smith Bros., the stockjobbing concern, have been satisfactory in the current year to date, says Mr. Tony Lewis, the chairman, in his annual statement to shareholders of the company, which is one of the two stockjobbing groups whose own shares are quoted.

Referring to the proposal, announced early in August, for a merger with Bisgood Bishop, another of the "big five" jobbers, Mr. Lewis says: "Discussions are continuing and shareholders will be kept informed of developments. The proposed merger would create a larger company and result in their being better able to compete and expand, he remarks.

Of Smith's position, over the past year, as the sole jobber in gold mining shares, Mr. Lewis says this has necessitated a change in dealing methods to enable the company to remain competitive with international trading companies operating outside the Stock Exchange.

"The majority of our dealings in international stocks are now conducted in dollars, and we have created new links with dealing companies in other Stock Exchange centres," he reports, adding that the international side of the company is still profitable.

Shareholders are being asked to approve a share option scheme. Under this, not more than 300,000 Ordinary shares (less than 6 per cent. of the existing

...h

...ley Tea Company ...rofits from £68,032 ...1976 on turnover ... compared with

£135,000 (nil) earn...

Travis & Arnold up midterm

FIRST HALF 1977 pre-tax profits of builders, plumbers merchants and timber importers, Travis and Arnold rose 10 per cent. from £1.81m. to £1.99m. on turnover of £23.88m. against £20.13m.

With building activity continuing at a low level during the period, and showing a further decline in volume terms, the company does not expect any material change in the position for the remainder of the year. However, forward indicators are currently depicting longer-term trading conditions in a better light than for some years, the directors say.

The interim dividend is increased to 0.6918p (0.6194p) net per 25p share. Last year's final was 2.7851p from 1976 profits of £4.23m.

	Half-year 1977 £000	1976 £000
Sales	23,880	20,130
Profit before tax	1,994	1,812
Tax	1,037	942
Net profit	957	870
Preference div.	14	14
Ordinary div.	15	40
Retained	536	516

The directors feel that recent acquisitions of certain businesses in the south-west of England will give the company a strong base for future trading in this area.

...NEY MARKET

...eptional assistance

...ngland Minimum ...te 6 per cent. ...tember 16, 1977)

...redit was in short ...London money mar... ...and the authorities ...xceptionally large ...istance by buying a ...mber of Treasury ...e discount houses, ... amount of local ... They also lent an extremely large amount overnight to seven or eight houses at Bank of England Minimum Lending Rate of 6 per cent.

Government disbursements exceeded revenue payments to the Exchequer, and the market was also helped by redemption of 11½ per cent Treasury 1977. On the other hand banks carried over run-down balances from Friday, repayment was made of loans made to the market last Friday, there was a net market take-up of Treasury bills, and another adverse factor was a call on 12½ per cent. Exchequer 1992.

Discount houses paid 5¼-5¾ per cent. for secured call loans in the early part, and closing balances were taken at 5¼-5½ per cent.

In the interbank market overnight loans opened at 5¼-6 per cent., and eased to 5¼-5½ per cent. before closing at 6-6¼ per cent.

Rates in the table below are nominal in some cases.

...terling ...rtificate ...deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposit	Company Deposits	Discount market deposit	Treasury Bills	Eligible Bank Bills	Fine Trade Bills
—	5¼-6¼	—	—	—	6¼-6⅜	5¼-6	—	—	—
—	—	5⅝-5¾	—	—	—	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

...ties and finance houses seven days' notice, others seven days fixed. *Longer-term local authority mortgage ...three years 9¼-9⅝ per cent.; four years 10¼-10½ per cent.; five years 10½-10⅝ per cent. ●Bank bill rates in ...rates for prime paper. Buying rates for four-month bank bills 5¾-5⅞ per cent.; four-month trade ...

...selling rate for one-month Treasury bills 5¼-5⅜ per cent.; two-month 5⅛ per cent. and three-month ...; ...ximate selling rate for one-month bank bills 5⅛-5½ per cent.; two-month 5⅛-5⅜ per cent. and three-month ...; ...month trade bills 6¼-6½ per cent.; two-month 6¼-6½ per cent. and also three-month 6¼-6½ per cent. ...e Base Rate (published by the Finance Houses Association) 7 per cent. from September 1, 1977. Clearing ...ates for small sums at seven days' notice 3 per cent. Clearing Bank Base Rates for lending 7 per cent. ...Treasury tender rates of discount 5.4160 per cent.

BIDS AND DEALS

Many offers for London & Aberdeen oil offshoot

London and Aberdeen Investment Trust, now in the throes of voluntary liquidation, has had more than a dozen serious offers for its 80.75 per cent. stake in the North American oil company, Texas Land and Mortgage. And as against the $16.5m. at which the whole company was valued when London and Aberdeen last *made up its accounts, the highest offers lie within the range $21-25m.*

London and Aberdeen's directors and the company's liquidator, Mr. Ian Watt of Thomson McLintock, are now negotiating with the top bidders with a view to securing the highest possible "clean" price for the stake. They are anxious, not merely that the consideration should be settled in cash, but also that it should be free of any contingent element—dependence, for example, on future flows of oil. In the meantime, assessment of capital gains tax liability remains in abeyance, while the position on the dollar *premium is still obscure.*

The directors of London and Aberdeen, which is part of the Govett group of investment trusts, announced in July that they had *decided to put the trust into* voluntary liquidation with a view to eliminating the double discount arising on its large stake in another Govett trust, Stockholders. *Since then London and* Aberdeen shareholders have received a distribution of Stockholders' shares (which formed over 70 per cent. of the trust's assets at the time of the last annual report), and 12p per share in cash.

The stake in Texas Land, with some residual cash, is now all that remains to be distributed to shareholders. London and Aberdeen's shares closed 3½p better, last night in a strong sector, at 77½p.

DAVIS INCREASES STAKE IN BURMA

SINCE JUNE 30, 1977, Davis Investments (Jersey) increased its holding in the Ordinary capital of Burma Mines to 21.4 per cent.

For the first half of 1977 gross revenue of Burma fell from £14,410 to £11,614 and after expenses £10,944 (£9,320) and tax £264 (£795 credit) net revenue emerged at £934 (£3,683).

As at June 30 total assets stood at £1.35m. (£1.09m. as at June 30, 1976) and net asset value per 17½p share came out at 10p (8p).

BRIT. ELECTRONIC CONTROLS

The independent chairman of British Electronic Controls, Mr. P. S. Lane, said yesterday that he would "probably be sending shareholders a letter in the near future" outlining the reasons for recommending the bid offer by SRE Electronics.

SRE, a private company owned *by three BEC directors, initially* offered 23p per share for the company last autumn. This was recently lifted to 29p. BEC is also the subject of an alternative bid from Derritron of 24½p in cash or 28p in shares.

Last week Derritron wrote to the BEC Board asking it whether there had been any material changes within the group which might explain the increased offer from SRE.

SRE and its associates now *own 42 per cent. of the shares.* It was announced yesterday that National and Commercial Development Capital, an associate of SRE, bought 10,000 shares in the market on Friday at 29½p. Under the terms of the SRE offer, shareholders would be permitted to retain this year's dividend which amounts to 0.906p net per share. SRE is, therefore, permitted under the rules of the Take-over Code to buy in the market up to 29.906p.

REFERRAL DOES NOT DETER REDFEARN SUITORS

Last week's announcement that both the Rockware and Rheem International offers for Redfearn National Glass had been referred to the Monopolies Commission has not apparently deterred either party. A statement from Rockware yesterday said that as a result of the decision to refer, its offer had been withdrawn. However, through Kleinwort Benson, its financial advisers, it *stressed that it was prepared to* take its chances with the Commission and that it was not about to withdraw from the scene.

An official statement on the situation has not yet come from Rheem which, with advisers Morgan Grenfell, is still considering its position. However, it seems safe to assume that Rheem will also sit it out for the next six months—the time allotted to the Commission to complete its report—and that a statement to *this effect is expected within the* next few days.

Redfearn shares ended yesterday 3p higher at 288p, with Rockware closing 4p ahead at 139p.

PHOENIX TIMBER

The **Phoenix Timber** group, where 25 per cent. of the shares have recently been bought by the Royco Group from Pentos, has just strengthened its Board with two internal promotions.

As announced at the AGM on September 15 Mr. B. W. Marsh, managing director of Phoenix Softwoods, and Mr. G. J. Dowling, managing director of Phoenix Hardwoods, have been appointed to the main board. Their appointment fills vacancies created by the resignation of Mr. T. Maber, chairman of the Pentos Group, just prior to the controversial share deal, and the retirement of Mr. A. F. Davenport, the company *secretary.*

Meanwhile, the Royco Group, which now owns a 25 per cent. stake in Phoenix, said yesterday "Phoenix is part of our portfolio of quoted securities. We are quite happy with it."

When it became known that Royco had bought the shares from Pentos, Phoenix chairman Mr. A. Gourvitch, *said that the* sale was without the prior knowledge of the Board but that the Board was of the opinion that Phoenix would do better to remain an independent company, and that any takeover bid would not succeed.

TARMAC SEEKS EXPLANATION FOR SHARE SALE

Two directors of **Tarmac** subsidiaries sold between them almost 12,000 shares in the parent company on September 15, the day before the group announced that it was facing losses of £12m. in Nigeria arising mainly out of Government contracts.

Mr. T. D. Lowe, a director of the Thomas Lowe and Sons subsidiary, sold 3,620 shares and Mr. J. N. Cuthbert, a director of one of the Scottish subsidiaries, sold 8,000 shares. Both blocks of shares were disposed of at 217p per share.

Mr. P. B. Woodman, the company secretary and a main Board *director of Tarmac, said* yesterday that he had asked for a full explanation from the two directors. However, he stressed that the two were not involved in the *same parts of the group and that* neither had access to main Board information on international activities.

Tarmac shares ended 7p higher yesterday at 174p.

HAMBROS TAKES CONTROL OF AFIC

Merchant banking group Hambros has paid about $A450,000 (£285,000) to acquire majority control of Australian Finance and Investment Company (AFIC).

The name of the Australian company is to be changed to Hambro Australia from next *January 1. The group* intends to develop its operations as an investment company and as an agent for increasing the Hambros business in Australia particularly *in relation to Eurocurrency* activity.

Hambros already owned 40 per cent. of AFIC, which was set up *as a joint operation some* seven years ago. The group has increased its interest to 85 per cent. by buying the holdings of three other banks.

The *shares have been bought* from Philadelphia National Bank (20 per cent.), Bank Holding Corporation of South Africa (20 per cent.) and Banque Worms of Paris (5 per cent.). The other 15 per cent. of the shares remains in the hands of the local management of the Australian company.

As part of the same deal AFIC is selling 24 per cent. of its 56 per cent holding in Australian and Finance Securities (AFS) to Philadelphia National and 1 per *cent to Banque Worms at 70* cents a share, making the deal worth some $A1.05m. (£663,000). This leaves Hambro Australia with 31 per cent. of AFS, a finance company which recently reported a net profit of $A490,000 for the year ended in June.

SAMUEL PROPS.

Completion of the £5m sale and leaseback of **Samuel Properties** *development in Fareham* to Standard Life Assurance is understood to have cleared the group's short and medium term debts in this country. Samuel's shares have been moving ahead on bid speculation for some weeks, and gained 2p to 92p yesterday on news of the Fareham deal.

KLEINWORT-BENSON —VOLKART

Kleinwort, Benson, Lonsdale and Volkart Brothers Holding announce completion of the acquisition by Volkart Brothers (U.K.), a wholly-owned subsidiary of VBH, of KBL's cocoa trading *business formerly carried on* by a division of Fendrake.

Volkart has also acquired from Fendrake the capital of Marshall French and Lucas, commodity brokers in London.

IVERS—LEE

Ivers-Lee (Great Britain), manufacturers of strip packing and form-fill-seal machinery under the "Sealtite" and "Sealcraft" trade names, has acquired A. J. Manning *of South Ruislip, which has for* many years manufactured ampoule washing and filling machines and volumetric liquid measuring and filling pumps.

SHARE STAKES

Jokai Tea Holdings—British Indian Tea Company (Holdings) has acquired, by allotment, a further 19,401 shares making holding 184,347 shares (8.49 per cent.). Longbourne Holdings has *bought a further 31,139 shares* making holding 504,309 shares (23.23 per cent.).

House Property Company of London—R. H. Edwards on September 19 sold its holding of 137,341 shares reducing its holding to nil.

Berry Trust Company—Post Office Staff Superannuation Fund bought 250,000 shares on September 21. Total holding 1.3m. shares (8.6 per cent.).

Electric and General Investment Company—Post Office Staff Superannuation Fund between August 26 and September 20 increased its holding from 1,358,375 shares to 2,183,375 shares (12.1 *per cent.*).

Longbourne Holdings—British Indian Tea Company (Holdings) has bought a further 5,000 Ordinary shares making holding 00,068 Ordinary shares (7.11 per cent.) and 30,000 Preference shares (21.06 per cent.).

MINING NEWS

Impala waits for turn in platinum market

BY PAUL CHEESERIGHT

THE SECOND largest platinum producer in the western world, Impala, which is part of South Africa's Union Corporation, is waiting until next year for an improvement in the market. The free market price in London at around £87 an ounce has been at a discount of *more than £10* to the producer price.

In his annual statement, Mr. Ian Greig, the Impala chairman, says: "In the short term there seems little prospect of increasing sales or of obtaining better prices until there is a further reduction in inventories and dealer stocks."

Impala is therefore maintaining its production at the level of the 1975-76 financial year. This was 700,000 ounces.

The market has been in the doldrums since July 1976, the end of what is now seen as an artificial short-term boom caused by speculative and investment *buying. If there has been a* bright spot it has been in the U.S.

Demand was higher in the U.S. during the year to June 1976 than *in the previous year, owing to the* buoyancy of the motor industry, which uses platinum as a catalyst in exhaust controls.

"Indications are that there will be no *reduction in the loading of* platinum group metals in the catalysts for the 1978 and 1979 model year cars and that higher loadings will be required for part of the 1980 model year and for the 1981 and subsequent model years," states Mr. Greig.

The trouble for Impala has been a drop in *Japanese consumption.* This more than offset the increased demand in the U.S. The *Japanese jewellery industry built* up high inventories during the *spring of 1976. Later in the year* the jewellery trade fell off as consumer spending declined and gold became cheaper.

In the year to last June Japanese net platinum imports were 1.046m. ounces, some 340,000 ounces less than in the previous *year.* Such sluggishness in the world's main platinum market hit Impala at a time when it was increasing capital expenditure.

Expenditure during the current *financial year is confirmed at* R15m. (£9.89m.) against R9.18m. in 1976-77 and R6.35m. in the *previous year. The accounts show* that as at the end of last June the group had approved expendi*ture of R32.9m.*

The investment is taking place against a background of rising costs. In the year to June labour charges were 12 per cent. higher, steel prices rose 25 per cent. and electric power costs went up 52 per cent.

There has been no increase in *productivity, and, comments Mr.* Grieg, "with little overall improvement in the net realisable value of metal sold there was inevitably a contraction of our *operating margins.*"

ROUND-UP

*A significant lead-zinc-cadmium-*silver orebody, possibly a major discovery, has been found at the base of the western Brooks Mountain Rainge in Alaska by the New York company, General Crude Oil, which is a subsidiary of International Paper, and Houston Oil and Minerals. The weather has put a stop to immediate further *exploration, but the* companies point out that the lack of infrastructure and the necessity to meet governmental regulations mean that even if a commercial mine is developed it would not be for a number of years.

* * *

A fire broke out yesterday in the vicinity of the No. 3 sub-vertical shaft at West Driefontein, the South African gold producer in the Gold Fields group. All *workers were evacuated* and no injuries were reported. Production from the shaft will be affected, but at this stage it is not known to what extent.

* * *

A regular quarterly dividend of 15 cents (8.6p) has been declared by the Gold Fields group's U.S. concern, Azcon Corporation.

FSG to sink new shaft

CONTRACTS HAVE been awarded for the sinking of the long-awaited No. 5 shaft, and an accompanying ventilation shaft, at the Anglo American Corporation's gold and uranium producer, FS Geduld. The sinking of the *main shaft will start in January.* Commissioning will take place in 1980.

FS Geduld is paying R17m. (£11.2m.) for the work. The contract has been awarded to Shaft Sinkers. The No. 5 shaft will go 1800 metres under the surface and the ventilation shaft will go 1735 metres.

The need to sink the No. 5 shaft has been apparent for some time, and last December, Mr. Douglas Hoffe, the FS Geduld chairman, said, "It has become urgent that we proceed in order to ensure that current levels of production are maintained in the future by mining the northern portion of the lease area."

The position chosen *for the* shaft is in fact in the southern part of the lease area of Freddies *Consolidated Mines. FS Geduld* which owned half of Freddies has wanted to amalgamate the two lease areas and to this end bought *out the other 50 per cent.* holding in Freddies owned by Western Holdings.

The award of the contract follows quickly on these ownership changes and emphasises the expansion policy already being adopted. *Large tonnages of low* grade ore within the old Freddies area and the northern section of the FS Geduld lease may now be exploited.

The shares have recently been a favoured vehicle for investment *in South African gold* and uranium. Yesterday they closed unchanged at £14.

Prieska gives cash warning

DESPITE a record year during 1976-77, Prieska Copper, which is controlled by Anglo-Transvaal and Middle Witwatersrand (Western Areas), is moving into a difficult period.

The chairman, Mr. R. T. Swemmer, in his annual statement points out that the company's liquid position has improved to R9m. (£5.9m.) at the end of June from R1.8m. It then goes on to say that *capital expenditure during the* current financial year will amount to R5.5m., while debenture repayments will take R2.5m. starting in December.

"At present metal prices, the company's resources could well be depleted in a short period of time," Mr. Swemmer warns.

At the same time Prieska has been facing sharp cost increases although escalations have been held at rates below that of the mining industry as a whole, Mr. Swemmer. But he has some encouragement to offer in terms of gaining access to the deeper levels of the mine will be lower than expected.

Middle Wits has a direct [illegible] cent. stake in Prieska, [illegible] chairman, Mr. Clive Menell [illegible] that it should at least be able to maintain its present dividend [illegible] year. The payment in [illegible] to June was 22.5 cents [illegible].

Nearly threequarters of Middle Wit's dividend income has came from gold and uranium investments, a sector which has been showing strong signs of recovery. Conditions [illegible] indicate that dividend income [illegible] the current year should be somewhat higher than last year."

In the financial year to June, market value of the group's investments declined [illegible] from R44.5m. But [illegible] financial year the [illegible] appreciated to R44.7m. [illegible]

Yesterday's [illegible] annual report Middle Wits [illegible] were unchanged at 192p.

GF Property generates excitement

AGAINST usual average trading in Johannesburg of 3,000 shares a day volume in *Fields Property* has jumped to [illegible] the extent [illegible] recent trading days, [illegible] shares are reported [illegible] changed hands, equivalent to 7 per cent. of the [illegible] *issued Ordinary shares* [illegible]

The excitement has generated by a favourable brokers' analysis of the [illegible] uranium potential which contrasts with the unexciting statement in the chairman's statement published on September [illegible] reports our Johannesburg correspondent.

This recorded that "a [illegible] of $30 per pound, of [illegible] oxide, less than 2m. tons [illegible] able for mining on the [illegible] *Reef," at Gold Fields Property's* old Luipaards Vlei mine [illegible] adjoins West Rand Consolidated. The statement added that the company is examining means of turning the reserves to [illegible]. It is understood that feasibility studies have been in progress for several months.

The most likely basis for exploitation of Luipaards Vlei is believed to be a throughput of 36,000 tons per month [illegible] mine's operational Turk [illegible] *which is being used by West* Rand Consolidated for [illegible] Luipaards Vlei's gold-only [illegible] ley Reef.

It is thought that a [illegible] concentrate could be [illegible] for processing at West [illegible]tein, only about 15 miles [illegible] which would minimise Luipaards Vlei's capital outlays.

...rrison piqued by criticism ...acal share stakes

...RTHOLOMEW

...ARRISON, chairman of the fast-growing ...oup, vigorously ...ompany's contro... ...vestments yesterday.

...ued by the bad ...rrison questioned ...iticism had been

...e opening of the ...ition in London, ...stments are "very. And in view of ...e of liquidity in ...ow interest rates ...leposit, he con... a reasonable use ...funds." For the ...evealed that the ...bare investments ...stakes in Brocks, Refuelling and ...ts to £5m com... at bank of £48m. ...n on the invest... ...s £800,000.

...epeated his asser... ...rad no intention ...any of the com... bought stakes in. ...uestioning he con... would very much ...essey if only he ...fford to and that ...rly interested in ...is "near to us." ...tion of his well... ...create a "second U.K. electronics ...arrison criticised the industry for ...at not acting. He ...who these people ...rned that in the ...arket place. "If together we will ...mbs but never ...eally substantial

...g front, Racal an... had received the ...its history—£15m. ...round army com... ...ipment for an un... African Govern... ...urces believe that most likely to be ...lorocco although ...are also possible. ...aid to have been ...e of intense com... nonetheless profit...

...this year are ex... ...h £160m. and ex... more than £14,000 £3,400 four years ...ompetition in the getting hotter Mr. ...ribute to the con... ...vernment, saying.

"The British Army Clansman mobile radio is to my mind an outstanding example of a successful partnership between government and industry and the export success of the equipment will be great."

Mr. Fred Mulley, the defence Secretary, who opened the exhibition, emphasised the need to exploit opportunities for selling more military equipment to the U.S. The European side of the North Atlantic Treaty Organisation brought about 10 times as much equipment from the U.S. as from the U.K. This imbalance *was something which both governments wanted to rectify.*

Racal is currently trying to *obtain a U.S. defence contract and* Mr. Harrison said he hoped the U.S. was sincere in its stated intention to reduce the imbalance of trade. "We all have a doubt in our mind" he said, and if the contract was not obtained he would not believe the U.S. government any more.

Clifford & Snell confident

The directors of Clifford and Snell are confident that in the current trading period, profitability will be maintained at the 1976-77 level, states Mr. G. F. Marshall, chairman.

The extension of the field of proprietary products is being widened by movement into new areas of technology. The directors are reactivating dormant subsidiary companies to provide a convenient vehicle for this new division of production but the chairman says this will not significantly affect the current year's trading figures.

As reported on September 20, pre-tax profit rose from £95,782 to £135,647 on turnover up 17.5 per cent. to £1.79m.

Turnover included £0.54m. in respect of equipment fitted to Deep Sea Ships. Export sales of £0.4m. are split as to Africa 2.55 per cent., Middle East and Asia 6.39 per cent., Australasia 13.94 per cent., the Americas 5.8 per cent. and Europe 69.12 per cent.

The company continues to trade as electrical and electronic engineers.

At March 31, 1977 Rectifier Modules International held 10.85 per cent. of the Ordinary, Miss D C. Borner 6.68 per cent., Mrs. E. J Couzens 6.64 per cent. and Miss J. M. Pasmore 5.16 per cent.

Meeting, Croydon, October 18, 5 p.m.

Slowdown at Haden Carrier

ON TURNOVER of £79.4m. compared with £627m., pre-tax profits of Haden Carrier rose from £705,000 to £793,000 for the first half of 1977, but the directors sound a warning note about the full year's result.

The directors say that orders taken in the first six months amounting to £119m. are well ahead of last year and provided a useful work load for the future.

Profits are holding up satisfac*torily in the U.K. building engin*eering services division, while the Carrier Drysys division is now *showing much improved results* due to the excellent performance in the U.S. and partial recovery *in France. The product companies* are also performing well.

The position in Haden International division continues to be much less satisfactory, especially in the Middle East where delays and difficulties on some existing contracts are causing substantial additional cost provisions which will lead to a loss for the division in 1977.

This situation must leave some uncertainty regarding the level of group profits for the full year members are told. Thus delaying the advent of the improved profits which were anticipated. Profits for all 1976 were £2.51m. compared with a record £3.27m. for 1975.

The interim dividend is held at 2.75p net per 25p share. Last year's final payment was 3.045p.

	First half 1977 £000	1976 £000
Turnover	79,433	67,200
Pre-tax profit	793	705
Tax	436	390
Minority loss	6	20
Extra-ord credits	—	19
Attributable to Ord.	379	325

* Adjusted to reflect deferred tax accounting charge adopted for 1976

Hoover UK settles tax dispute

By Michael Lafferty

Hoover U.K., the domestic *electric appliances company, has* settled its long-running tax dispute with the Inland Revenue. This was confirmed yesterday by Mr Alex Buttner, Hoover's finance director.

The Inland Revenue had been investigating the prices at which Hoover U.K.—a majority owned subsidiary of the Hoover Com*pany of the U.S.—transferred* goods to its overseas associates, particularly those in Western Europe. Discussions centred around whether or not the prices charged by the U.K. company to the overseas associates were set at an artificially low level, thereby depressing the U.K. company's profits and, consequently, the *likely tax charge.*

However, Mr. Buttner indicated yesterday tha tthe settlement had *been made on terms which would* not require any material provisions in the accounts in respect of prior years.

The Inland Revenue's scrutiny had covered accounts as far back as 1969. The settlement means that the company now more or less agreed its tax assessments for all years up to 1976. The company had been making payments on account.

General Funds midway revenue rise

Gross revenue of General Funds Investment Trust for the half year to July 15, 1977 rose from *£318,085 to £362,563 and pre-tax* revenue was up from £191,749 to £236,054, after expenses and interest of £126,509 against £126,336.

Tax took £79,060 compared with £57,088 leaving a net revenue of £156,994 (£134,661). As known the net interim dividend per 25p share was increased to 1.5p (1.05p) to reduce disparity absorbing £86,199 (£59,428). The total dividend for 1976-77 was 4.1p.

As at July 15, 1977 total assets at market value stood at £16.4m. (£14.42m. as at January 15, 1977) including, where applicable, the full investment currency premium amounting to £1.20m. (£1.42m.), and premium on loan portfolio surplus of £368,995 (£431,200) amounting to £117,025 (£181,643).

Equity shareholders' interest was £13.67m. (£11.81m.) Net asset value *per share is shown as* £204.16p (174.02p) If investments were realised at their valuation, liabilities in respect *of surrender* of 25 per cent. of the investment currency premium and tax *on chargeable gains would arise* of 19.51p per Ordinary share (16.45p) and 16.39p per Convertible *share (13.48p)*

Celtic Haven expands to £101,068

Turnover for the year to March 31, 1977, *of Dyfed-based Celtic* Haven rose from £1.43m. to £1.85m. and pre-tax profits in*creased from £61,898 to £101,068.*

At midway, repeating an advance in profits from £25,671 to £44,889, the directors forecast a significant increase in full year profits over those for 1975-76.

After tax of £36,100, against £33,082, full year earnings are shown to be ahead from 0.57p to 1.3p per 5p share and the dividend is raised from 0.2625p to the maximum permited 0.29316p net.

The group's interests include arable farming and the supply of on-shore and ancillary services to the off-shore oil industry and its principal suppliers, marine engineering, and steel fabrication.

...orld Value of the Pound

...below gives the latest available ...nue for the pound against various ... September 26, 1977. In some cases ...ominal. Market rates are the ...ying and selling rates except where ...n to be otherwise. In some cases ...ave been calculated from those of ...ies to which they are tied

...in the U.K. and most of the ...d is officially controlled and the ...*should not be taken as being* ...ny particular transaction without ...n authorised dealer:

...ions (S) member of the sterling ...han Scheduled Territory; (k) Scheduled Territory; (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non commercial rate; (n.a.) not available; (A) approximate rate; no direct quotation available; (sg) selling rate; (bg) buying rate; (num.) nominal; (ex/C) exchange certificates rate; (P) based on U.S. dollar parities and going sterling dollar rate; (Bk) bankers' rate; (Bas) basic rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate.

Sharp fluctuations have been seen lately in the foreign exchange market. Rates in the ***table below are not in all cases closing rates on the dates shown.***

...al Unit	Value of £ Sterling
...au	78 A
	(10 10(A)
	n.a
...r	7.10(sg)
...ench Franc	8.59
...anish peseta	147.5¼
...nza	n.a.
...aribbean $	4.71516
...Peso Free Rate	803.59
...ralian $	1.5775
...lling	22.10
...ug. Escudo	71.00
...Dollar	1.744
	28.60 sg
	0.882
...Peseta	147.5¾
...balboa $	3.488
...ranc	(cm) 62.68 (fn) 67.50
	5.428
...A. Franc	429½
...$	1.744
...ian Rupee	15.13(sg)
...yptian Peso	64.88
...ira	1.44451
	26.08
...$	1.744
...inei $	4.2595
	1.8340
	12.765
...Franc	158.94
...A. Franc	429½
...lian $	1.8105
...nish Peseta	147.5¼
...e V Escudo	71.00
...I. $	1.4533
...A. Franc	429½
...A. Franc	429½
...Peso	Bk. 40.58
...nminbi Yuan	3.2110
...Peso	F 64.52
...F.A. Franc	429½
...F.A. Franc	429½
...lon	14.3884
...ban Peso	1.2795
...prus £	0.71515
...runa	n 18.70 / 16.8
...nish Krone	10.77½
	235 sg
...Caribbean $	4.71516
...minican Peso	1.744
	O 45.53 / F 46.62
...an £	0.875
	T 1.21
...iopian Birr	P 3.61421
...seta	147.5¼
...Falkland Is. £	1.0
...anish Krone	10.77¼
	1.600
...arkka	7.360 r
...rench Franc	8.59
...F.A. Franc	429½
...ocal Franc	8.59
...F.P. Franc	158.18
...F.A. Franc	429½
...alsa	4
...Ostmark	485¾

Place and Local Unit		Value of £ Sterling
Germany West	Deuts'mark	4.05¼
Ghana (S)	Cedi	1.9850
Gibraltar (S)	Gibraltar £	1.00
Gilbert Is.	Aust. Dollar	1.57775
Greece	Drachma	64.9975
Greenland	Danish Kroner	10.77¼
Grenada (S)	E. Caribbean $	4.71516
Guadaloupe	Local Franc	8.59
Guam	U.S. $	1.744
Guatemala	Quetzal	1.744
Guinea Rep	Syli	38.2808
Guinea Bissau		76.650
Guyana (S)	Guyanese $	4.4472
Haiti	Gourde	8.720
Honduras Rep	Lempira	3.50
Hong Kong (S)	H.K. $	8.1725
Hungary	Forint	(com) 70.88 / (non (T)) 34.92
Iceland (S)	I. Krona	361.55
India (S)	Ind. Rupee	15.1309(sg)
Indonesia	Rupiah	723.76
Iran	Rial	(A) 1 5
Iraq	Iraq Dinar	0.514564
Irish Rep (k)	Irish £	1.00
Israel	Israel £	17.99365
Italy	Lira	1.541¼
Ivory Coast	C.F.A. Franc	429½
Jamaica (S)	Jamaica Dollar	2.180
Japan	Yen	456
Jordan (S)	Jordan Dinar	0.567 sg
Kampuchea	Riel	2092.80
Kenya (S)	Kenya Shilling	14.4857
Korea (Nth)	Won	5.6(g)
Korea (Sth)	Won	848.78
Kuwait (S)	Kuwait Dinar	0.500
Laos	Kip Pot Pol	348.8
Lebanon	Lebanese £	5.4415
Lesotho	S. African Rand	1.516102
Liberia	Liberian $	1.744
Libya	Libyan Dinar	P 0.516293
Liechtenstein	Swiss Franc	4.14¾
Luxembourg	Lux Franc	62.50
Macao	Pataca	8.76023
Madeira	Portug'se Escudo	71.00
Malagasy Rp.	MG Franc	429½
Malawi (S)	Kwacha	1.5687
Malaysia (S)	Ringgit	4.2969
Maldive Is. (S)	Mal Rupee	6.65592
Mali Rp.	Mali Franc	859.0
Malta (S)	Maltese £	0.75655
Martinique	Local Franc	8.59
Mauritania	Ouguiya	85.91295
Mauritius (S)	M. Rupee	11.05299
Mexico	Mexican Peso	39.65
Miquelon	C.F.A. Franc	429½
Monaco	French Franc	859
Mongolia	Tugrik	(O) 6.226 g
Montserrat	E. Caribbean $	4.71516
Morocco	Dirham	7.65 sg
Mozambique	Moz. Escudo	58.09
Nauru Is.	Aust. Dollar	1.57775
Nepal	Nepalese Rupee	21.80
Netherlands	Guilder	4.348
Neth. Ant'les	Antillian Guild	3.12776
	Franc	158.878
New Hebrides	Austl. Dollar	1.57775
N. Zealand (S)	N.Z. Dollar	1.7960
Nicaragua	Cordoba	12.24
Niger Rp.	C.F.A. Franc	429½
Nigeria (S)	Naira	1.14367(sg)
Norway	Norw. Krone	9.585
Oman Sultanate (S)	Rial Omani	0.602
Pakistan	Pkst. Rupee	16.95(sg)
Panama	Balboa	1.744
Papua N.G. (S)	Kina	1.57795

Place and Local Unit		Value of £ Sterling
Paraguay	Guarani	217.46
P'ple's D. Rp. of Yemen (S)	S. Yemen Dinar	A 0.59558
Peru	Sol	exc. A 140.95
Philippines	Ph. Peso	12.7661
Pitcairn Is. (S)	£ sterling / New Zealand $	1.7980
Poland	Zloty	Cm 52.52 / T 59
Portugal	Pgse Escudo	71.00
Port Timor	Timor Escudo	71.00
Principe Isle	Pgse Escudo	71.00
Puerto Rico	U.S. $	1.744
Qatar (S)	Qatar Ryal	6.87
Reunion, Ile de la	French Franc	8.59
Rhodesia	Rhodesian $	1.07605
Romania	Leu	cm 8.49 / (n) T 20.56
Rwanda	Rwanda Franc	161.84
St. Christopher (S)	E. Caribbean $	4.71516
St. Helena	St Helena £	1.0
St. Lucia (S)	E. Caribbean $	4.71516
St Pierre	C.F.A. Franc	429½
St. Vincent (S)	E. Caribbean $	4.71516
Salvador El	Colon	4.36
Samoa (Am.)	U.S. $	1.744
San Marino	Italian Lire	1.541¼
Sao Tome	Pgse. Escudo	71.00
Saudi Arabia	Ryal	6.15
Senegal	C.F.A. Franc	429½
Seychelles	S. Rupee	13.35
Sierra Leone (S)	Leone	2.0
Singapore (S)	Singapore $	4.295
Solomon Is (S)	Australian $	1.57775
Somali Rep	Som Shilling	A 10.97648
Sth. Africa (S)	Rand	1.516102
S.W. Africa Territories (S)	S. A. Rand	1.516102
Spain	Peseta	147.5¼
Span. Ports in North Africa	Peseta	147.5¼
Sri Lanka (S)	S. L. Rupee	14.9661
Sudan Rp	Sudan £	A 0.607281
Surinam	S. Guilder	3.12176
Swaziland (S)	Lilangeni	1.516102
Sweden	S. Krona	8.45
Switzerland	Swiss Franc	4.10
Syria	Syria £	(A) 6.8452
Taiwan	New Taiwan $	(P) 66.272
Tanzania (S)	Tan. Shilling	14.495
Thailand	Baht	35.4575
Togo Rp.	C.F.A. Franc	429½
Tonga Is. (S)	Pa'anga	1.5855
Trinidad (S)	Trin. & Tobago	4.1856
Tunisia	Tunisian Dinar	0.747(sg)
Turkey	Turkish Lira	33.65
Turks & Cai	U.S. $	1.744
Tuvalu	Australian $	1.57775
Uganda (S)	Ug. Shilling	14.175(sg)
Utd. States	U.S. Dollar	1.744
Uruguay	Uruguay Peso	(cm) 8.79 / (fn) 8.65
Utd. A'b Emirs.	U.A.E. Dirham	6.79
U.S.S.R.	Rouble	1.26
Upper Volta	C.F.A. Franc	429½
Vatican	Italian Lira	1.541¼
Venezuela	Bolivar	7.48 s
Vietnam Nth.	Dong	(O) 4.360 / T 4.2297
Vietnam Sth.	Piastre	3.2284
Virgin Is. U.S.	U.S. Dollar	1.744
Western Samoa (S)	Samoan Tala	1.040669
Yemen	Rya	7.62(sg)
Yugoslavia	New Y Dinar	32.1211
Zaire Rp.	Zaire	1.502584
Zambia	Kwacha	1.375

...of the French community in Africa formerly French West Africa or French Equatorial Africa. ...per pound. Tourists visiting Sri Lanka receive ...um of 65 cents per cent. ...aya has replaced the CFA franc. The exchange ...at a rate of CFA Frs 5 to one unit of the ...rency. ...ssue now Djibouti ...rates of oil and iron exports 7.2248. ...tolian tugrik has lately been reported to stand ...

the North Vietnamese dong at 0.286 roubles and the North Korean won at 0.7493 roubles. With the pound standing at 1.26 roubles the following relationships could be *calculated for the pound:* £=3.60 tugriks, £=4.12 dongs, £=1.682 won.

* Rate is the Transfer market (controlled).

** Rate is now based on 2 Barbados $ to the dollar.

‡ Now one official rate.

‡‡ Two-tier system introduced April 26. Rate is for exports, non essential imports and tourism. Rate for essential imports 1.5696.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

VFW-Fokker offered State financial aid

BY ADRIAN DICKS BONN, Sept. 26

THE WEST GERMAN Government's co-ordinator for the aerospace industry, State Secretary Martin Gruner, of the Economics Ministry, to-day publicly offered financial assistance to the troubled Dutch-German VFW-Fokker group, and called on its management to expedite rationalisation talks with Messerschmitt - Boelkow - Blohm.

Herr Gruner's statement said the rationalisation was necessary in the interests of safeguarding the industry's international competitivity, but he also referred to the need to preserve jobs, and promised that the Government would remain in close touch with the unions.

This emphasis was taken by observers in the aerospace industry to-night as a sign of the Government's keen awareness of the wider damage to industrial relations that could result from the present crisis. IG-Metall, representing most of the VFW-Fokker work-force in North Germany, has been calling loudly for full nationalisation and denouncing the Government's past handling of the industry's problems. It is assumed here that the *incoming Economics Minister*, Count Otto Lambsdorff, will try to draw the sting from this bitter attack before the next concerted action meeting, at which the Cabinet's efforts to achieve union wage restraint will be severely tested.

Herr Gruener was giving the Federal Government's reply to a request for short-term financial assistance made by the VFW-Fokker *chairman, Mr. Gerrit* Klapwijk, a week ago. No specific sum of money, it is reliably understood, has yet been mentioned by either side. Herr Gruener made it clear to-day, however, that Bonn's direct assistance to VFW-Fokker would be conditional on "corresponding contributions" by the State Governments most immediately concerned to safeguard jobs, and by the group's shareholders.

Herr Gruener's statement to-day stopped well short of calling for a full merger. MBB is understood to have set its face against this solution, mainly because it is reluctant to take on the financial burden of the project immediately responsible for *VFW-Fokker's difficulties*, the VFW614 short-haul jet airliner.

One possible solution now being discussed within the industry is that instead of a full merger, a "co-ordinating committee" composed of representatives of the two companies and of the Government should be set up to agree on detailed reductions of excess capacity and on a more equitable sharing of the present work-load of the aerospace industry.

Although Mr. Klapwijk of VFW-Fokker is credited with originating the idea of the co-ordinating committee several years ago (when he proposed that it should also include Dassault, of France), the man most likely to charge of it is Herr Ludwig Boelkow, the founder and prime mover of MBB. He has recently indicated some restlessness with his own job, but might well be prepared to serve as the effective overlord of the West German aerospace industry during a period of transition.

Kaufhof 8-month turnover up 3.5%

By Guy Hawtin

FRANKFURT, Sept. 26.

THE WEST GERMAN retail trade has had a fairly thin first half, and Kaufhof, West Germany's second largest store group, has proved no great exception to the rule. July and August trade, however, proved rather better than expected, although the concern is not prepared to comment on the run of business in September.

Turnover in the first eight months of the year, up to the end of August showed a 3.5 per cent. advance on the same period of 1976. In the department stores sector, however, sales were unchanged.

Bigger loss at Montedison

MILAN, Sept. 26.

MONTEDISON SpA has announced consolidated group sales of L2,700bn. in the first half of 1977, up 20 per cent. from the corresponding period of 1976, AP-DJ has reported from Milan. However, the board reports that the first half loss was larger than that in the like year-earlier period. Montedison lost Lira 61bn. in the full year 1976.

The results were negatively influenced by rising costs, the directors said. During the Board meeting, Dr. Alberto Grandi was appointed vice-president executive to replace Dr. Tullio Torchiani.

● Milan stock prices fell an average of 2 per cent. yesterday, with the decline attributed to the disappointing first-half report of Montedison, which influenced all sectors.

Montedison shares were reduced 7 per cent. to 226.

Credit Commercial trebles bad debt provision

BY DAVID CURRY PARIS, Sept. 26.

FACED with the difficulties confronting many French companies because of the persistence of the economic recession, the private banking group Credit Commercial de France has more than trebled the provisions it is making against bad debts.

In addition, it has also increased provisions covering the decline in value of its portfolio holdings in other companies to take account of the persistent pessimism on the French Stock Exchange.

These precautions are revealed by the bank's chairman, M. Jean-Maxime Leveque, in a letter to shareholders reviewing the company's preformance over the first six months of 1977.

He notes that the increase in gross operating profit from Frs.92m. (£10.8m.) to Frs.129m. (£15.1m.) had to be welcomed with extreme caution since provisions for bad debts had had to be raised to Frs.51m. (nearly £6m.) from Frs.15m.—and the provision for the decline in portfolio values from Frs.9.6m. to Frs.11.3m.

He noted also that the profit from sale of shares in the portfolio had been a mere Frs.1.5m. against the Frs.10.8m. recorded in the same period of last year.

Taking into account the new provisions as well as the re-integration into the results of earlier provisions net consolidated profit at group level for the six months to June worked out Frs.2.2m. below last year's figure at Frs.34.4m.

Looking ahead to the full year M. Leveque noted that further provisions would have to be made to cover the exceptional tax of 5 per cent. on banks' fixed charges imposed by the government to limit its 1978 budget deficit if this "exorbitant and economically senseless" tax were voted by the parliament. He commented sourly on the fact that the banking sector was already subject to heavier impositions than its foreign counterparts and seemed to be regarded as the favourite milch-cow of the government.

He also allowed himself the familiar broadside against the proposals of the French left to nationalise if they should come to power next March the remaining credit institutions in the private sector.

M. Leveque said that clients' deposits had advanced by 9.6 per cent. to Frs. 12.5bn. (£1.47bn.) in the six months to the end of June of which 93 per cent. represented deposits in France.

Credits outstanding to clients at June 30 amounted to Frs.16bn., representing an increase of 21 per cent, which was some 3 per cent. better than for the previous 12 months. The bank had respected the limits on credit growth since medium-term export credits and advances financed by bond issues, both of them remaining outside the credit guidelines, accounted for the lion's share of the rise.

Pre-tax profits in the banking sector alone were Frs.67.65m. against Frs.67.96m. after allowing for an increase in bad debt provisions from Frs.16m. to Frs.53m. and the taking back of an earlier provision of Frs.2.6m.

Alusuisse turnover up 25% in first half

ZURICH, Sept. [illegible]

TURNOVER OF the Alusuisse concern rose by 25 per cent. during the first half of 1977, according to a statement made to a local newspaper by Dr. Mueller, management president of the parent company, Swiss Aluminium.

Within this increase, Alusuisse sales had risen by 30 per cent. over the corresponding period of last year and the chemical division by 14 per cent, he said. Capacity use averaged 90 per cent. in Alusuisse refineries and smelters [illegible] per cent. for aluminium rolling units, he disclosed.

For the second half of the year, Mueller said that [illegible] slower. The same applies to cash-flow, which had developed satisfactorily in the first six months. For full [illegible] capacity use was [illegible] likely than not to fall back.

Mueller said it was too early to say whether an increase in share capital or dividend was likely next spring, but stated that a dividend increase was probable [illegible] Swiss Aluminium have sufficient liquidity at its disposal.

A LOAN of Sw.Frs.80m. is to be floated by French National Railways (SNCF) on the Swiss capital market from October 3. The [illegible] year issue, which will be handled by a Swiss big-bank consortium headed by Credit Suisse, [illegible] offered with a [illegible] per cent. coupon at a price of 99 per cent. The bonds will be listed in Zurich, Basle, Geneva, Berne and Lausanne.

Hassneh issue over-subscribed

BY L. DANIEL TEL AVIV, Sept. 26.

HASSNEH INSURANCE Company of Israel—one of the two largest insurance companies in the country—reports that it received applications for four times the number of units which it recently put on the market. The issue consisted of 250,000 units, each made up of four I£10 shares and I£20 option. The price of the shares was put at I£55 (roughly £3) and the unit was offered at a minimum of I£240 (about £13.4 sterling.

As the company received applications for 1.35m. units, it would appear that the price per share will be I£70. All applications above this figure will be allotted in full with applications at I£70 to be met to the extent of 39.4 per cent. of the total applied for.

The oversubscription of this, as well as other recent banking and industrial issues, reflects the boom on the Tel Aviv Stock Exchange, where prices have risen sharply in recent weeks, and the volume of trading frequently reached three to four times what used to be considered a normal daily turnover. Already in 1976, activity on the Tel Aviv Stock Exchange, as a percentage of total market capitalisation, was second only to that on the Tokyo Exchange, according to a survey.

American Express bid terms

TERMS of the proposed $230m. offer by American Express for Philadelphia Life Assurance, a company with assets of $676m. and life insurance in force of $5bn., were announced to-day.

The offer calls for a tax free exchange of one Common share of Philadelphia Life for one share of American Express voting Convertible Preferred stock. A spokesman for Philadelphia Life said the American Express offer is still being evaluated along with that from Tenneco Inc. Philadelphia Life and Tenneco announced an agreement in principle on August 25.

The American Express proposals, if approved by Philadelphia Life, would have to be authorised by regulatory agencies. The merger plan includes a cumulative dividend payable quarterly, at an annual rate of $1.50, Preferred stock convertible at the option of the shareholder at any time into 0.39 Common shares of American Express and the right, after three years, for American Express to require conversion at a 0.39 ratio, provided the market price of American Express Common stock is at least $14 a share.

After 10 years the market price limitation would expire.

Huge demand for Cape loan

BY RICHARD ROLFE JOHANNESBURG, Sept. 26.

FINAL subscription details for the Cape Town loan stock indicate that local institutions put up close to R105m. for the R15m. of stock on offer, beating the five times subscription for last month's City of Johannesburg issue. The Cape Town rate, which is normally at a premium to that paid by Johannesburg, was 0.3 per cent. lower at 12.16 per cent.

Central Merchant Bank, which handled the issue, said that R13m. will be allocated to the two 21-year loans, which are to be issued at par of R100 and R95 respectively, and R2m. to the 12-year loan, issued at par. The basis of allocation favours the small applicant in both cases, with applications up to R10,000 satisfied in full and declining allocations thereafter down to only 15 per cent. for larger amounts. Lists were closed immediately after opening and actual over-subscription was seven times.

The response to this latest issue indicates that interest rates at the long-end are still on a downward trend, but a further test will come next month with an R50m. Electricity Supply Commission (ESCOM) loan. With demand likely to remain strong, even though some major institutions may opt out of the ESCOM issue, the coupon is expected to be pitched at 12 per cent. or a little lower.

Housing group dips sharply

JOHANNESBURG, Sept. 26.

HOUSEBUILDER Gough Cooper of South Africa, in which Johannesburg investment institutions and building societies are main shareholders, has reported a sharp fall in profits for the interim period to June 30. Turnover figures have been published, but pre-tax profit was down from R1.2m. to R543,000, and at the net level, after allowing for tax, the fall was from R652,000 to R318,000, with earnings per share reduced from 15.5c to 7.6c. The interim dividend, 6c the previous year, has been passed, and the Board says payment of a dividend for the full year "will be considered in the light of the company's financial position and the circumstances then prevailing."

The shares at 75c yield a nominal 17.3 per cent. on last year's 13c dividend. While some improvement in the trading market, the final must be in doubt in view of the need to preserve cash resources. However, the Board notes "current inquiries are showing signs of improvement."

Moscow Narodny sells $2.3m. ship

BY ANTHONY ROWLEY SINGAPORE, Sept. 26.

BANGLADESH SHIPPING Corporation, a Dacca-based State shipping concern, has bought the vessel "Eastern Queen" from the Moscow Narodny Bank in Singapore, which took over the ship from Great Malaysia Lines when it stopped trading in April. The vessel, mortgaged to the bank by GML, was told for $2.3m.

The deal was confirmed by a spokesman for Bangladesh Shipping Agency, a Singapore-based subsidiary of Bangladesh Shipping Corporation, and by the Kuala Lumpur-based Great Malaysia Lines.

Moscow Narodny Bank, which has had a series of troubled investments in south east Asia, declined to comment, however.

The "Eastern Queen," listed in Lloyd's Register of Shipping as *a passenger/general cargo vessel* of 12,457 tons, is owned by Abeto Shipping in Hong Kong, a company which is understood to have connections with the Narodny.

The vessel had been managed by Great Malaysia Lines, which was the beneficial owner, with financing from Moscow Narodny, a spokesman for GML said. However, GML stopped trading last April having lost two of its vessels, the "Malaysia Kita" and the "Malaysia Raya," which caught fire and sank. The "Eastern Queen" is currently berthed in Singapore.

EUROMARKETS

CAF $50m. 7-year loan at 1½% sprea[d]

BY FRANCIS GHILES

CORPORACION ANDINA de Fomento (CAF), the Andean community development bank is raising $50m. for seven years at a spread of 1½ per cent. over Libor from a syndicate of 19 banks led by Bank of America NT and SA, Bank of Tokyo, Manufacturers Hanover Ltd. and Westdeutsche Landesbank. This is CAF's first venture into the international financial market—prior to this its borrowings had been essentially on the Venezuelan bond market.

The proceeds of the loan will be lent to member countries and it is worth noting that the loan carries no guarantee from the member states. The spread of 1½ per cent compares favourably with that which CAF's members, with the exception of Venezuela, would get on the international financial markets to-day.

Recent borrowings suggest that while Venezuela would get 1 per cent. over Libor for seven years, Ecuador would have to pay 1¾ per cent., Colombia 1½ per cent. and Bolivia 1½ per cent. It is not easy to be at all.

CAF was founded in 197[illegible] by the countries of the Andean group to help faster projects which help promote economic integration among members. To[day] these comprise the above, Chile having withdrawn at the beginning of the year.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 8½pc 1989	100½	101½
AMEV 8pc 1987	98½	99
Australia 8½pc 1992	98½	99½
Australian M. & S. 9½pc 92	100½	101½
Barclays Bank 8¾pc 1992	100	100½
Bowater 9½pc 1992	102½	103½
Can. N. Rly. 8¾pc 1986	101½	102½
Credit National 8½pc 1986	99½	100
Denmark 8¾pc 1984	101	102½
ECS 9pc 1993	101½	102½
ECS 8½pc 1997	99½	99¾
EIB 8¾pc 1992	100½	101½
EMI 9½pc 1989	101½	101¾
Ericsson 8¾pc 1989	100½	101½
Esso 8pc 1986 Nov	101½	101
Gt. Lakes Paper 8½pc 1984	100½	101½
Hamersley 9½pc 1992	101½	102½
Hydro Quebec 9pc 1992	99½	100
ICI 8½pc 1987	100	100½
ISE Canada 9¼pc 1986	104	104½
Macmillan Bloedel 9pc 1992	101½	102½
Massey Ferguson 9¼pc 1991	103½	104½
Michelin 9½pc 1988	103½	103
Midland Int. Fin. 8¾pc 1992	100½	101
Natnl. Coal Board 8pc 1987	97½	98
Natnl. Westminster 9pc '86	102½	103½
Newfoundland 9pc 1989	102	102½
Norges Kom. Bk. 8¾pc 1992	100½	101
Norpipe 8½pc 1989	100½	101
Norsk Hydro 8½pc 1992	100	100½
Oslo 9pc 1988	102	102½
Ports Autonomes 9pc 1991	100½	101½
Prov. Saskatch. 8¾pc 1986	100½	101½
Reed Internatl. 9pc 1987	100	100½
RHM 9pc 1992	98	98½
Selection Tst. 8½pc 1989	97½	98
Skand. Enskilda 9pc 1991	102	102½
SKF 8pc 1987	97½	98½
Sweden (K'dom) 8½pc 1987	99½	100
United Biscuits 9pc 1989	100½	101
Volvo 8pc 1987 March	98½	99
NOTES		
Australia 7¾pc 1984	98½	99½
Bell Canada 7¾pc 1987	101	101½
Br. Columbia Hyd. 7½pc 85	97½	98½
Can. Pac. 8½pc 1984	102	102½
Dow Chemical 8pc 1986	103	103½
ECS 7½pc 1982	99	99½
ECS 8½pc 1989	99½	99½
EEC 7½pc 1982	98½	99½
EEC 7½pc 1984	98½	98½

	Bid	Offer
Enso Gutzeit 8½pc 1984	99	99½
Gotaverken 7½pc 1982	99½	100½
Kockums 8pc 1983	100	100½
Michelin 8½pc 1983	101½	102½
Montreal Urban 8¾pc 1981	101½	102
Natnl. Coal Board 8¾pc '81	102½	103
New Brunswick 8pc 1984	100½	101½
New Bruns. Prov. 8¾pc '82	101½	102
New Zealand 8½pc 1986	102½	103
Nordic Inv. Bank 7½pc 1984	97½	98½
Norway 7¾pc 1982	99½	99½
Ontario Hydro 8pc 1987	99½	100½
Singer 8½pc 1982	101½	102½
S. of Scot. Elec. 8½pc 1981	101	101½
Sweden (K'dom) 7¾pc 1982	98½	99½
Swedish State Co. 7½pc '82	99	99½
Telmex 9½pc 1984	100½	101
Tenneco 7¾pc 1987 May	95½	96
Volkswagen 7¾pc 1987	99½	100½
D-MARK BONDS		
Austria 6½pc 1983	103½	104½
BFCE 7pc 1987	102½	103½
Denmark 6½pc 1983	103½	104
EIB 6½pc 1984	103½	104
Grand Met 7pc 1984	99½	100½
Hydro-Quebec 6½pc 1987	99½	100½
ICI 6½pc 1987	102	102½
Montreal 7pc 1987	100½	101½
Norges Gas 7pc 1989	104	104½
Norsk Hydro 6½pc 1989	102½	103½
Norway 6½pc 1982	102½	103½
Shell 6pc 1989	103½	104
Spain 6½pc 1984	99	100
Sweden 6½pc 1984	102½	103
World Bank 6½pc 1987	101½	102
FLOATING RATE NOTES		
Bank of Tokyo 1980 8pc	101½	102½
BFCE 1984 7pc	99½	99½
BNP 1984 6½pc	98	98½
CCF 1983 7pc	99½	100½
CGMF 1984 6½pc	97½	97½
Creditanstalt 1984 6½pc	97½	98½
Credit Lyonnais 1982 6½pc	99½	99½
DG Bank 1982 6½pc	99	99½
GZB 1981 7½pc	100½	100½
Intl. Westminster 1984 8pc	99½	99½
Lloyds 1983 7½pc	100½	100½
LTCB 1982 6½pc	99½	100
Midland 1982 8pc	100½	100½

	Bid
Midland 1987 8 9/16pc	97½
OKB 1983 6½pc	99½
SNCF 1985 8½pc	97½
Stnd. and Chrtd. 1984 6½pc	98½
Wms. and Glyns 1984 6½pc	99½
Source: White Weld Securities	
CONVERTIBLES	
American Express 4¾pc '87	93
Ashland 5pc 1988	92
Beatrice Foods 4½pc 1992	94
Beatrice Foods 4½pc 1992	108
Beecham 6½pc 1992	97½
Borden 5pc 1992	102
Broadway Hale 4½pc 1987	78
Carnation 4pc 1987	82
Chevron 5pc 1988	124½
Dart 4¾pc 1987	82
Eastman Kodak 4½pc 1988	89½
Economic Labs. 4½pc 1987	79
Firestone 5pc 1988	85
Ford 5pc 1988	93½
General Electric 4½pc 1987	84
Gillette 4½pc 1987	79½
Gould 5pc 1987	118
Gulf and Western 5pc 1988	91
Harris 5pc 1992	148½
Honeywell 6pc 1986	99½
ICI 6¾pc 1992	[illegible]
INA 6pc 1997	95½
Inchcape 6¾pc 1992	104½
ITT 4½pc 1987	84
Jusco 6pc 1992	100
Komatsu 7½pc 1990	104½
J. Ray McDermott 4¾pc '87	155
Matsushita 6½pc 1990	116½
Mitsubishi Elec. 7½pc 1991	[illegible]
Mitsui 7¾pc 1990	[illegible]
J. P. Morgan 4½pc 1987	98½
Nabisco 5½pc 1988	[illegible]
Owens Illinois 4½pc 1987	[illegible]
J. C. Penney 4½pc 1987	77½
Revlon 4¾pc 1987	[illegible]
Reynolds Metals 5pc 1988	[illegible]
Sperry Rand 4¾pc 1987	[illegible]
Squibb 4½pc 1987	[illegible]
Texaco 4¾pc 1988	[illegible]
Toshiba 6½pc 1992	[illegible]
Union Bank Switz. [illegible] '87	[illegible]
Union Carbide 4½pc 1987	[illegible]
Warner Lambert 4½pc 1987	[illegible]
Warner Lambert 4½pc 1988	[illegible]
Xerox 5pc 1988	[illegible]
Source: Kidder, Peabody Securities	

IN EUROPE

Losses in synthetic fibres continue to mount

BY KEVIN DONE, CHEMICALS CORRESPONDENT

world's largest synthetic fibres, ey on its Euro- rations and is division of the form at even 1977 than were r.

ippe, chairman rnational, said iopes expressed of the year for h in both the of fibres sales lised.

f fibre sales is about 5-7 per 1976, while the be some 2 per Du Pont has ting some small over the past 12

ot alone in its Many of its iave already er losses, and Rhone-Poulenc e now appears xtensive closure nd widespread For three s losses have ompany's £40m.

lso considering one of its two either at Dor- etherlands or at rthern Ireland, aid that no con- reached before he Dutch plant ly one to close. Maydown and years has made than the total vious 14 years. n Europe the sick," said Mr. Ruppe, and he criticised some West European governments for keeping fibres plants in operation, when the companies wished to close them. "They must stop using textile manufacture as an alternative to the dole," he said.

He supported initiatives that are being planned by the EEC Commission to provide financial assistance for member countries facing redundancies in the wake of the closure of plants which are no longer economic.

This would be one way out of the crisis, coupled with the EEC's approach of arranging bilateral negotiations with other fibre producing nations — outside the framework of the Multi-Fibre Arrangement—to reduce imports.

As the table shows the retail consumption of fibres in Europe has been largely stagnant over the past five years. But at the same time imports have been claiming a rapidly increasing share of the market. During these years new capacity has been added at the rate of about 6 per cent. a year, said Mr. Ruppe, and there is already unopened plant in existence.

Du Pont is running its plants at between 65 per cent. and 70 per cent. of capacity in common with most other manufacturers, and the Du Pont chairman said it would not be until the early 1980s that textiles could be expected to be in better shape with capacity utilisation up to perhaps 85 per cent. to 90 per cent.

The U.S. chemicals group is trying hard to get away from its image of being largely a fibres company and has coined the description of CPS (chemicals, plastics and speciality products) for the 60 per cent. of worldwide business that is outside fibres.

This sector of trade has been performing almost to its forecast levels in Europe, said Mr. Ruppe.

The company is now experiencing a weak final quarter, which is leading it to downgrade estimates for next year, but overall for CPS it expects a growth of some 12 per cent. to 14 per cent. this year against 10 per cent. to 12 per cent. in 1978.

The drop in the last quarter is being attributed to the general hesitancy of the European economies, and Du Pont has been hit harder than some competitors, because many of its manufacturing facilities are located in hard currency countries.

The company's investment policy in Europe of concentrating over the next few years on plant improvements and modernisation schemes rather than on new capacity was confirmed by Mr. Ruppe.

Investment is most likely in the CPS sector, and speciality plastics, for which Du Pont is predicting a long-term growth potential of some 8 to 10 per cent. per annum is an obvious candidate. Photographic products, which with plastics has shown growth of some 20 per cent. this year could also be expanded. Any investment is most likely to come in incremental increases to present capacity.

And one decision which is expected soon from Du Pont's U.S. Board is on the go ahead for a £25m. modernisation of its neoprene synthetic rubber plant at Maydown, Northern Ireland. This plant came on stream in 1960 and is now using an outdated manufacturing process. The modernisation would bring an immediate 30-40 per cent. *increase in capacity.*

WEST EUROPEAN MILL CONSUMPTION AND TEXTILE IMPORTS ('000 TONS)

	Actual					Forecast
	1971	1972	1973	1974	1976	1981
Apparent						
Retail Consumption	4,366	4,704	5,090	4,596	4,944	5,633
Textile Imports	461	604	719	749	1,119	1,584
Exports	421	423	458	496	613	753
Net Imports	40	181	261	253	506	831

Average annual growth 1976-81	%
Apparent consumption	2.5
Net imports	10.5

Source CIRFS Trends Analysis Committee—May 1977

ney publisher's peak profit

N CORRESPONDENT SYDNEY, Sept. 26.

Sydney-based y reported a $A7.05m. and igher dividend is issue to share-

es will be issued basis, and will e final dividend share. Interim cents, bringing the year to 10.5 with last year's Total dividend om $A3.19m. to

ofit is 20.2 per n the $A5.87m. evious year. It espite a 60 day nid-way through ar which caused tising and sales tors said the y newspapers, 45 per cent. of rated at a com-

ther operations— e Age newspaper artly-owned), the s and television ey and Brisbane 16.6 per cent. .7m.

rofit to sales ratio er cent. to 5.2 per gs increased from are to 21.1 cents. m $A5.18m. to the allowance of relief from the valuation adjust- d by the federal the financial year 77. Fairfax pro- for depreciation n. in the previous

y publishes five Sydney—the Syd- Herald, the Financial Review, the Sun, the Sun-Herald (weekly) and the National Times (weekly).

Johns Perry downturn

SYDNEY, Sept. 26.

IN CONTRAST Melbourne based engineering group Johns Perry suffered from falling business and heavy losses at two partly-owned subsidiaries, turning in a 10.8 per cent. lower profit of $A4.13m.

Directors said the year's performance was affected by the lower level of construction work. The result went against their predictions of steady earnings made six months ago. A further blow came from the 60 per cent. owned offshoot Jurong Alloys *Private of Singapore which cost* the group $708,000.

These losses came as major extensions were made to the Singapore plant which meant suspension of casting operations for most of the year. Directors said they recognised the need for these improvements when they brought the group, but gave no comment on the size of the loss compared with budget expectations. Another trouble spot, the one-third owned B. Bernard Smith P.D.M. Pty., reduced its loss from $A765,000 to $A162,000.

Despite the downturn, Johns Perry is holding its final dividend at 13.5 cents a share for the year. This is twice covered by earnings of 27 cents a share compared with 31 cents a year ago.

Taiyo Fishery profit

BY YOKO SHIBATA TOKYO, Sept. 26.

TAIYO FISHERY announces for the half-year to July a recurring profit of Y500m. as *a result of a rise in the selling* price of fish and the company's rationalisation plan. Net profits were *Y150m., against a deficit* of Y35m. a year earlier, on sales of Y240bn., against Y225bn.

The fish catches during the *period fell by 17.5 per cent.,* under the impact of the global *establishment of the 200 miles fishery zones.*

Zim Israel Navigation's setback

BY L. DANIEL TEL AVIV, Sept. 26.

ZIM ISRAEL Navigation Company, which accounts for 50 per cent. of all sea cargoes to and from Israel, reports that its income during 1976 rose by 22 per cent., to $320m.—as compared with an inflation rate of 38.5 per cent.—while expenses, before depreciation, grew by 34 per cent. to $252m.

With a large rise in management and general expenses, pre-tax earnings fell 82 per cent. to $4.5m. Net attributable earnings, including some $1.4m. from the liquidator of the Swiss International Credit Bank came to $2.8m.

Arab Wings shares for 7 countries

By Rami G. Khouri

AMMAN, Sept. 26.

ARAB WINGS, the largest Middle East executive jet charter company, is increasing its capital in anticipation of an agreement next month to distribute shareholdings equally among seven Arab countries.

The company is registered in Jordan and is now owned by the Jordanian airline Alia (88 per cent.) and the state of Oman (12 per cent.).

Its authorised and paid-up capital is now $7m., which is to be increased shortly to $11.6m.

A meeting is scheduled here for October 15 at which representatives of the Governments of Saudi Arabia, Kuwait, Bahrain, Qatar and the United Arab Emirates will sign a final agreement to join Jordan and Oman in each taking a one-seventh share of the new capital.

The capital increase comes at a time when Arab Wings is expanding its fleet of six Learjet airplanes by adding three Rockwell 14-passenger Sabreliners on a leasing basis.

Bongrain acquisition

THE FRENCH Bongrain food group said on Monday it had acquired a controlling interest in Mantequerias Arias SA, of Spain, AP-DJ reports from Paris. Terms were not disclosed.

WALL STREET + OVERSEAS MARKETS + CLOSING PRICES

Dow up 2.5 on late bargain hunting

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Sept. 26.

A FIRM TREND prevailed on Wall Street to-day when late-hour bargain hunting enabled the Stock Market to recoup its earlier loss.

The Dow Jones Industrial Average finished 2.51 up at 841.65, after being off about five points at its low for the session. The NYSE All Common Index put on 13 cents to $52.20, although losses led gains by 737-to-594. Trading volume decreased 330,000 shares to 18.23m.

Most analysts regarded the mild late recovery as the result of internal forces after a long decline.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Mattel	322,500	8¼	—
20 Century Fox	210,500	24¼	+1⅛
Mesa Petroleum	205,400	44⅝	−1⅛
Crane	156,100	28⅝	—
Boise Cascade	140,100	28	−⅛
General Motors	132,600	62⅞	−1
Occidental Petroleum	130,400	28⅛	+⅜
Tropicana Products	122,000	23⅜	+1⅛
Dow Chemical	119,000	29⅜	[illegible]
Mesabi Trust	116,700	11⅝	−1⅜

The late buying was assisted by President Carter's statement at the International Monetary Fund-World Bank meeting in Washington that the U.S. economy is healthy and strong.

Brokers added that the Stock Market continued to reflect concern about rising U.S. interest rates and the economy.

The U.S. Federal Reserve indicated Monday by its Money Market activities that it was again tightening credit policy. Some specialists say the FED appears to be in a continuing process of tightening policy, and pushing interest rates higher, in its fight to hold back a rapidly expanding U.S. money supply.

Concerning the U.S. economy, the Joint Congressional Economic Committee Monday released a generally pessimistic report, and the Government reported that the U.S. trade deficit in August was the second highest ever.

Also, an official of the Organisation of Petroleum Exporting Countries said the Mid East situation is deteriorating and in another war, a new oil boycott would be "natural."

Mesa Petroleum came back $1¼ to $44⅝—it said it hadn't been *approached by any company* rumoured to be interested in a merger and know of no merger talks. Both Kennecott, up $1 at $22⅞, and Du Pont, up $1⅞ at $108⅞, denied rumours that they were interested in Mesa Petroleum.

Mesabi Trust fell $1⅜ to $11⅝—it will receive no third quarter royalties from strike-bound Reserve Mining and will make "no third quarter distribution to Certificate holders."

The American SE Market Value Index closed unchanged at 117.13.

OTHER MARKETS

Canada mixed

CANADIAN STOCK markets were mixed in moderate trading yesterday.

The Toronto Composite Index put on 0.7 to 990.5, while Golds advanced 36.7 to 1,191.6. Oil and Gas rose 6.6 to 1,192.0 and Banks gained 2.02 to 228.22. But Metals and *Minerals* gave way 4.5 to 888.3. Utilities eased 0.47 to 139.78 and Papers shed 0.26 to 93.70.

PARIS—Market further advanced, encouraged by the continuing disagreement in the Left-Wing alliance.

Jacques Borel lost 2 per cent., but Banks, Electricals and Foods led other sectors up to 5 per cent. higher.

Denain rose 1 per cent. following its results.

Navigation Mixte continued to lose ground while, among Foreign Stocks, *Oils* were mixed.

Golds were sharply firmer, particularly Free State, Harmony and Randfontein.

BRUSSELS—Most Belgian shares fell in quiet trading.

In Foreign Stocks, U.K., German and French issues rose, but Dutch, U.S. and Golds were little changed.

AMSTERDAM—Mixed in quiet trading, with Dutch Internationals generally firmer although Hoogovens shed Fls.0.30 to Fls.27.2.

Transports and Insurances were firmer, but Banks, Trading and Industrial stocks fell.

State Loans were little changed.

COPENHAGEN—Mixed in moderate dealings.

GERMANY—Shares lost ground in dull trading, mainly on professional selling.

Most leading issues shed up to DM1.50, although Daimler fell DM5 to DM344 and Siemens DM2.40 to DM272.1.

Public Authority Loans were mixed, with gains of up to DM0.15 and losses of up to DM0.20. The Authorities sold DM2.6m. nominal of Bonds. Mark Foreign Loans were little changed.

OSLO—Industrials, Insurances and Shippings were barely steady, while Bankings were quiet.

SWITZERLAND—Prices lacked new incentives and were little changed in moderate trading.

Among steady Banks, Hypo Solothurn continued firmer. Financials were mixed, Insurances steady apart from higher Zurich Bearer, while leading Industrials showed scattered gains.

Alusuisse gained ground after good half-year results.

Dollar stocks generally eased, Dutch shares remained fairly steady, while Germans turned irregularly lower.

MILAN—Lower over a broad front in quiet trading and light profit-taking.

Montedison's, down L16.25 to L226 increased first half year losses and opposition of union leaders to the sale of Condotte D'Acqua Spa depressed market sentiment.

Financials, Industrials and Banks all lost ground.

Bonds were quietly mixed.

VIENNA—Market closed weak.

JOHANNESBURG—Gold shares generally firmer at the day's highest levels, reflecting the higher bullion price and some overseas interest.

"Heavyweights" were little tested, although Randfontein gained 100 cents to R48.75.

Financial Minings mostly gained in line with Producers.

Coppers were a few cents *harder in quiet trading and* Platinums were harder on balance.

Industrials were about steady. Asbestos shares recovered some recent losses.

Hong Kong—Easier, with more trading interest towards the close.

Hong Kong Bank at $HK17.70 and Jardine Matheson at $HK14.10 each fell 10 cents. **Hutchison** lost 5 cents to $HK3.125, as did **Swire Pacific** to $HK6.15.

TOKYO—Slightly lower in light trading. Volume 190m. shares.

Electronic Components led the losses, while Motors and some Petroleums gained on speculative buying.

Mitsumi Electric shed Y33 to 435 *on fears of poor results*, while **Kyoto Ceramic** dipped Y100 to 2,750.

Nissan Motor added Y28 at 800, while **Isuzu Motors** gained Y10 to 266 on expectations it might resume dividend payments. **Nippon Oil** were up Y13 to 503.

Pharmaceuticals were mixed, while Constructions, Foodstuffs and some Steels were lower.

AUSTRALIA—Generally lower, with sentiment depressed by a pessimistic Reserve Bank report on the economy.

BHP fell 12 cents to $A5.30.

Banks also fell, with **Wales** losing 10 cents to 5.06, **National** 2 cents to 2.63 and **ANZ** 6 cents 3.18.

Retailers and Sugars were mixed.

Coals were weak, with **Utah** losing 10 cents to 3.90, **Thiess** 5 cents to 2.25 and **Oakbridge** 3 cents to 1.60, but **AAR** gained 2 cents to 1.84.

Uraniums were neglected, *although Pancontinental rose 10* cents to 7.70 while, among Golds, **Central Norseman** gave way 20 cents to 6.10. **Renison** moved up 10 cents to 5.30.

Other Minings were generally steady.

£ and gold firm

Sterling was very firm in the foreign exchange market yesterday, and the authorities took in further foreign currency for the reserves. This kept the pound's trade-weighted index unchanged at 62.4 throughout, on Bank of England figures. Trading was only moderate, but sterling *quickly moved up to around* $1.7440 in terms of the dollar, where it remained as a result of the intervention by the Bank of England, before closing at $1.7438-1.7442, *a rise* of 10 points from Friday.

Forward sterling was also strong, with premiums against the dollar widening slightly.

The U.S. dollar lost ground in early trading against most major currencies, partly in anticipation of a large deficit in the August trade figures. There was no further adverse reaction when the figures were announced however, and support for the dollar by the Swiss authorities helped the dollar to improve in late trading. The Swiss Franc touched a high *point of Sw.Frs.2.3450, before closing* at Sw.Frs.2.3500 in terms of the dollar, compared with Sw.Frs.2.3590 on Friday.

The dollar's trade-weighted *average depreciation since the* Washington Currency Agreement, as calculated by Morgan Guaranty of New York, widened to 0.69 per cent. from 0.65 per cent.

Gold rose $2¼ to $152¾-153¼, the highest level since March 25. Demand increased following the opening of the New York market, but market sources suggested that there were no new factors influencing trading.

CURRENCY RATES

	Special Drawing Rights September 26	European Unit of Account September 26
Sterling	0.665646	0.652057
U.S. dollar	1.16082	1.13713
Canadian Dlr.	1.24544	1.21982
Austria Sch.	19.2696	18.8764
Belgian franc	41.6125	40.7633*
Danish krone	7.17661	7.03064
Deutschemark	2.70665	2.64653
Dutch guilder	2.86316	2.80584
French franc	5.71849	5.60303
Italian lira	1025.82	1006.03
Japanese yen	309.823	303.186
Norway krone	6.40018	6.26859
Spain peseta	98.2042	96.1853
Swedish krona	5.62766	5.51299
Swiss franc	2.72677	2.68950

*Rate is for convertible franc. Financial franc 40.7662.

EXCHANGE CROSS-RATES

Sept. 26	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.325-326	47.20-22	6.462-460	4.065-063	92.18-38	98.95-99.10
New York	42.98-43.0	—	20.31-32	2.791-792	1.7437-7440	40.44-8	42.56-58
Paris	211.48-.98	4.9202 9322	—	13.760-764	8.682-802	199.49 99	208.64-.14
Brussels	15.38-42	35.815-855	7.26 29	—	62.43-57	14.51-55	15.24-29
London	4.05¼-06¼	1.743¾-4¼	8.58¼-59¼	62.45-55	—	4.30-31	4.09¼-10¼
Amst'dam.	105 97-02	2.4652-77	50.085-110	6.2815-65	4.3005-55	—	105 025-135
Zurich	100.85 92	2.348-349	47.64-58	6.555-560	4.0951-64	95.19-22	—

U.S. $ in Montreal U.S. $=107.19-23 Canadian Cents.
Canadian $ in New York $=93.25-27 U.S. cents. U.S. $ in Milan 883.50-90.
Sterling in Milan 1540.80-1541.20.

EURO-CURRENCY INTEREST RATES*

Sept. 26	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss franc	W. German mark
†Short term	5½-5⅞	6⅛-6⅜	6-7	3½-3¾	⅛-⅝	3⅛-3⅜
7 days notice	5⅞-6⅛	6¼-6½	6-7	3½-3¾	3½-3¾	3¼-3½
Month	6 6⅜	6¾-7	7-7⅜	4⅜-4⅝	2⅜-2⅝	3⅜-3½
Three months	6⅜-6⅝	6⅝-6⅞	7⅛-7⅞	4¾-5	2⅝-2⅞	3½-3⅝
Six months	6⅞-7⅛	7-7¼	7¼-7⅝	5⅛ 5⅜	2⅛-2½	3⅞-4⅛
One year	7⅛-7⅜	7⅛-7⅜	7¼-7⅝	5⅜-5⅝	3-3⅛	4⅛-4⅜

Euro-French deposit rates: two-day 8-8½ per cent.; seven-day 8-8½ per cent.; one-month 8[11/16]-8[15/16] per cent.; three-month 9¼-9¾ per cent.; six-month 10[1/16]-10[5/16] per cent.; one-year 11¼-11½ per cent.

Long-term Eurodollar deposits: two years 7¼-7½ per cent.; three years 7½-7¾ per cent.; four years 7⅝-7⅞ per cent.; five years 7¾-8⅛ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 6[7/16]-6[9/16] per cent.; three-month 6½-6⅝ per cent.; six-month 6⅞-7 per cent.; one-year 7-7⅛ per cent.

* Rates are nominal closing rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

Indices

NEW YORK—DOW JONES

	Sept. 26	Sept. 23	Sept. 22	Sept. 21	Sept. 20	Sept. 19	1977 High	1977 Low	Since compilation High	Since compilation Low
Industrial	841.65	839.14	839.14	840.96	851.78	851.52	999.75 (3/1)	839.14 (22/9)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds*	95.39	95.65	95.55	95.46	95.55	95.69	95.87 (7/9)	90.68 (7/4)	—	—
Transport	214.01	213.49	213.19	212.75	214.16	215.33	246.64 (18/5)	212.75 (21/9)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	111.87	112.50	111.84	111.94	112.13	112.57	113.87 (22/7)	104.97 (25/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	18,230	18,760	16,660	22,200	19,050	16,896	—	—	—	—

* Basis of index changed from August 24.

Ind. div. yield %	Sept. 23	Sept. 16	Sept. 9	Year ago (approx.)
	5.37	5.25	5.25	3.80

STANDARD AND POORS

	Sept. 26	Sept. 23	Sept. 22	Sept. 21	Sept. 20	Sept. 19	1977 High	1977 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	104.97	104.54	104.64	104.64	105.58	106.50	118.92 (3/1)	104.54 (23/9)	134.64 (11/1/73)	3.62 (30/6/32)
Composite	95.58	95.04	95.09	95.10	95.89	95.65	107.00 (3/1)	95.04 (23/9)	125.85 (11/1/73)	4.40 (1/6/32)

	Sept. 21	Sept. 15	Sept. 7	Year ago (approx.)
Ind. div. yield %	4.67	4.60	4.53	3.40
Ind. P/E Ratio	9.40	9.56	9.71	12.21
Long Gov. Bond yield	7.62	7.58	7.54	5.12

N.Y.S.E. ALL COMMON

Sept. 23	Sept. 26	Sept. 22	Sept. 21	1977 High	1977 Low
52.07	52.20	52.08	52.06	57.07 (4/1)	52.07 (23/9)

Rises and Falls	Sept. 23
Issues Traded—1,849	Up—594
Down—737	Same—518
New Highs—28	*New Lows—91*

MONTREAL — TORONTO — JOHANNESBURG — Australia, Belgium, Denmark, France, Germany, Holland, Hongkong, Italy, Japan, Singapore, Spain, Sweden, Switzerland: [illegible]

OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

GERMANY ◆

AMSTERDAM

COPENHAGEN ◆

VIENNA

TOKYO ¶

BRUSSELS/LUXEMBOURG

SWITZERLAND ◆

MILAN

AUSTRALIA

OSLO

BRAZIL

JOHANNESBURG

PARIS

STOCKHOLM

SPAIN

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax. ◆ DM50 denom. unless otherwise stated. ◆ Ptas.500 denom. unless otherwise stated. ◆ Kr.100 denom. unless otherwise stated. ◆ Frs.500 denom. unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. ∆ Interim since increased.

Investment premium based on $2.60 per £—89¼% (90%).

Geneva sugar pact talks remain deadlocked

BY OUR COMMODITIES STAFF

THE GENEVA negotiations seeking an International Sugar Agreement remained deadlocked yesterday over export quota allocations as the talks ended their third and final week.

What were described as "crisis meetings" were held over the week-end and yesterday to try to sort out the wrangle amongst *the big three exporting countries*—Cuba, Brazil and Australia—over the export quotas allocated to them.

But late last night no agreement had been received in the talks between the three exporters and Mr. Ernest Parry-Jones, the conference chairman. They will meet again to-day.

Meanwhile, pessimism about the talks drove world sugar values to *four-year low levels on the London* terminal market yesterday. The London daily price for raw sugar was cut by £4 to £102 a tonne. On the futures market, *the December position fell to* £105.75 at one stage before rallying to close at £109.875 on the belief that the decline had been overdone.

A warning that world sugar prices could go even lower if the major exporting countries fail to agree at the international talks was given by Mr. Julius Katz, chief U.S. delegate at the negotiations. David Egli reports *from Geneva.*

Mr. Katz, who delayed his de*parture to Washington for a Con*gressional hearing because of the position at the sugar talks, stressed, however, that the fall in world market prices had made a deep *impression on exporters.*

He saw as one possibility a trade-off between the tonnage issue and the special arrangements on sugar exports that *Cuba enjoys with other Com*munist countries.

It is understood that intensive multilateral and bilateral negotiations are continuing here *aimed at achieving this kind of* breakthrough.

At issue is the almost unlimited flexibility that Cuba has to export to China, the Soviet *Union and other Communist* countries without the obligation to report on the volumes involved and without these counting against its quota in the free market.

Mr. Katz implicitly criticised the conduct of the negotiations here in noting that basic export tonnage numbers were already *on the table. He recognised that* both Australia and Brazil were concerned for both economic and *political reasons about the fact* that Cuba had received the largest *proposed market share*—2.5m. tonnes, compared with 2.4m. and 2.1m. tonnes for Australia and Brazil respectively. As a result, there were "varying *degrees of dissatisfaction.*"

The Cuban special arrangement, the U.S. believed, would be much less of a problem if it was applied on the same terms as the arrangement between the European Community and the *Lomé Convention countries* — clearly limited to a fixed amount at a known price and fully reported.

If the three exporters do finally agree, all the outstanding issues in the conference would rapidly fall into place. If they failed to agree during the next few days, however, they would *effectively scuttle the negotia*tions.

The U.S. view is that basic export tonnages should be calculated on the basis of objective criteria—that is to say on historical experience and on *present potential.* The Americans do not believe that the opening of the U.S. market could influence the present struggle between exporters.

● *Britain made a last-minute* appeal to the EEC to change its opposition to export quotas at the sugar pact negotiations.

In a speech at Brighton, Mr. Frank Judd, Foreign Office Minister of State, said that the *Geneva talks were a matter of* life and death for a number of developing countries.

"I find it inconceivable that the Community could be so *insensitive as to fail to respond* even at this eleventh hour."

NZ butter price up for review

By Robin Reeves

BRUSSELS, Sept. 26.

A TEN per cent. increase in the "take-home pay" of New Zealand dairy producers for butter and cheese sold on the U.K. market is to be discussed by Agricultural Ministers of the EEC here to-morrow.

In spite of an intensive *diplomatic effort over the past* two months by Mr. Brian Talboys, the Minister for Overseas Trade, officials here were by no means certain that the *increase would go through on* the nod.

New Zealand's earnings from the limited quantities of butter and cheese it is allowed to send *to the U.K. are strictly con*trolled. Earnings over and above an agreed price are creamed off in the form of Common Market levies.

Under the terms of Britain's EEC Accession Treaty, New Zealand is required to phase out its cheese exports to the U.K. by the end of this year. *New Zealand, however, is* pressing for continued access for at least 10,000 tonnes a year. This is a further complication in these already difficult negotiations.

The atmosphere will not be helped by the fact that Ministers are meeting against a background of discontent among dairy producers over the "co-responsibility levy" *which took effect earlier this* month.

Dairy producers are now paying a levy of 1.5 per cent. on all milk delivered to creameries *to help pay for the cost of* disposing of the EEC's notorious butter and skimmed milk powder surpluses.

MOLYBDENUM

Future bright for space-age metal

BY PAUL CHEESERIGHT

THERE IS no lack of confidence *among molybdenum producers.* They have managed to avoid the market fluctuations that have afflicted copper mining concerns.

As one executive put it: "When the business is good, it's really good. When it's bad, it's still pretty damn good."

Part of the reason for this optimism is the nature of the metal itself. Its use dates back only to the end of World War I. Its applications are in high tech*nology and* it is sometimes known as the space-age metal.

Its role rarely attracts much attention, though, because it is used most frequently in small *quantities, in combination* with other metals. Thus nearly half the molybdenum produced goes into alloy steels, where 1 per cent. might be added to provide additional heat resistance and greater toughness.

The melting point of molybdenum is some 2000 deg. F. higher than that of *iron*, which *makes it valuable for super* alloys necessary in jet engines *and electronic components, for* instance. Its durability has in some cases made it preferable to tungsten.

Molybdenum also acts as a corrosion inhibitor, *providing an* application in stainless steels used for chemical processing, food handling and water distribution. It has further uses as a catalyst.

Its chemical derivatives have *found a role in the manufacture* of lubricants and paint pigments.

Such diversity of application *has meant that molybdenum has* been shielded from the full effects of the international recession. Nevertheless, its *growth pattern has been checked.*

For some years consumption increased steadily at an annual rate of about 6-7 per cent. Consumption by the non-Communist world had moved to a high of 207m. lbs of concentrates in *1974, but then fell back to 170m.* lbs in 1975 before climbing again to 182m. lbs last year.

Growth this year is likely to be a modest 2-3 per cent. New *customers are scarce and the* industry leaders are not very active with their advertising.

Producers were still able to impose four price increases last *year, however, ranging from 8 to* 10 per cent. on average. At the beginning of August this year there was another rise averaging 10 per cent.

Although the rises have a defensive aspect in as much as they were introduced in response to rising costs, the *ability of the* market to absorb them points to *a rough balance between supply* and demand.

This balance has been achieved because of the slowdown in output at mines *primarily concerned with the* production of another metal, usually copper. The depression in the copper industry, particularly in North America, has led to cuts, *thus reducing the supply* of molybdenum.

Shortage

The position of the primary producers — and this mainly means Amax at its Climax and Henedrson mines in Colorado—is that they can satisfy the existing *market demand* provided that there is no move from customers suddenly to build up large stocks.

The latest prediction from *Amax is that there is likely to* be a shortage of molybdenum at least until the middle of 1979. Much of the expanded production to meet developing demand has come from producers for whom the metal is a by-product.

In the future, however, the role of Amax in the industry is likely to increase. It is the world's largest single producer already, accounting for 64m. lbs *of U.S. output of 111m. lbs last* year. The U.S. contribution to the non-Communist world's output, estimated last year at 167m. lbs, is overwhelming.

Hitherto Amax production has been concentrated on the Climax *mine, which last year produced* 61m. lbs of molybdenum in concentrates. Reserves are sufficient to last until the next century.

Production, however, is building up at the Henderson mine, a $500m. project which came on stream last year. Output was confined to 3m. lbs in 1976, but by the time full capacity is reached in 1980, it will have reached about 50m. lbs.

The Henderson mine is in the heart of Red Mountain, with a shaft entrance more than 10,000 feet above sea level. Mining is taking place at *8,100 feet. The ore body was dis*covered in 1965, and the decision to develop taken ten years ago.

The timescale is significant for future expansion elsewhere in *Colorado. Amax has discovered* another ore body to the west of Climax and Henderson, on which exploration work is proceeding. Cautious official announcements *cannot disguise the fact that the* deposit, now said to contain more than 130m. tons of mineralised material, looks like an exploration manager's dream.

The conjunction of this discovery and the build-up in pro*duction at Henderson tends to* consolidate the importance of Amax in the industry.

In the long run, however, the future of the molybdenum industry *depends on two factors:* the ability to extend existing applications and the development of new uses for the metal.

Amax has a development laboratory at Ann Arbor in Michigan. One sphere in which considerable work is taking place is chrome-molybdenum for use in stainless steels. It is anticipated that there could be a growth rate of 6-7 per cent. here per year.

Call for coffee sales drive

BY CHRISTOPHER PARKES

COLOMBIA has called for action to counter the slump in coffee consumption caused by high prices. Arturo Gomez Jaramillo *representing Colombian growers* at the International Coffee Organisation's annual council meeting in London, said yesterday that in the most important coffee-drinking countries consumption was likely to fall 10 to 15 per cent. *this year.*

At the opening of the five-day meeting *Mr. Gomez asked the* ICO to give "due thought" to the impact of high prices.

Sales promotion and public relations campaigns would probably help, he said, adding that the bulk of the ICO's $12m. promotion fund *was still* unspent.

Colombia, the second biggest coffee producer in the world, is understood to hold large stocks of coffee which it has been releasing on to the market recently because of the urgent need for foreign exchange.

This increase in supplies has been largely responsible for recent price drops.

The Brazilians, the main producers, are still taking a more *ebullient line. In Lausanne at* the week-end, Mr. Camillo Calazans, president of the Brazilian Coffee Institute, said he hoped that the "hesitancy" in coffee consumption after the price rises would be short-lived.

He was convinced that there had been no dramatic decline in *consumption.*

He said that Brazilian exports to West Germany, the Netherlands, Belgium and Austria during the first six months of the year were twice as high as during the same period of 1976.

Since Brazil now had virtually no reserve stocks itself, "it is clear that we don't want to sell what small amount of coffee we have at a low price," he added.

Unlike some other producers, Brazil had no need to force its *coffee on to the world market* because of its strong domestic consumption.

On the London Terminal Market an unusually quiet morning saw coffee prices fall again. In the absence of any encourag*ing influences, coffee for Novem*ber delivery closed £85 a tonne down on the day at £2,210.

The cocoa market, too, had a dispiriting day and all the futures prices fell again. The December price at the close was £72 down at £2,400.50 a tonne.

GHANA COCOA PURCHASES

ACCRA, Sept. 26.

THE GHANA Cocoa Marketing *Board estimates purchases for* the 14th week of the 1977 mid-crop season ended September 22 at 999 tonnes.

This brings cumulative purchases for the season so far to 13,330 tonnes compared with *8,725 tonnes in the first 14 weeks* of last year, to September 9.

Reuter

Gold slows base metals decline

By Our Commodities Editor

THE SHARP *rise in the gold price brought a firm opening on* the London Metal Exchange yesterday.

The higher prices could not be sustained, however, and values drifted downwards in later trading to close marginally down on Friday's closing levels.

Tin prices were held steady by a larger than expected decline in stocks held in LME warehouses. A fall of 295 tonnes in *tin stocks reduced total holdings* to 3,960 tonnes—the lowest level since April 1975.

Zinc stocks also fell by 550 to 71,775 tonnes, but copper stocks rose again by 2,300 to 613,850 tonnes and lead by 625 to 61,775 *tonnes.*

LME silver holdings declined by 50,000 to 19,080,000 ounces.

Record protein meal output forecast

WASHINGTON, Sept. 26.

WORLD OUTPUT of high protein meal products is forecast *to rise to 78.2m. tonnes* (soyabean meal equivalent) in 1978—11.6m. tonnes above the low 1977 figure, according to Mr. Alan Holz, U.S. Agriculture Department senior economist.

World vegetable, animal and *marine oils and fats production* next year is projected at 52.7m. tonnes, compared with 47.8m. in 1977.

Mr. Holz, writing in a Foreign Agriculture Department publication, says that the expected sharp gain in meal output is due to indications of a record U.S. soyabean harvest and gains in Canadian rapeseed, Soviet sunflowerseed, Indian groundnuts and increased soyabean output in the southern hemisphere.

He notes that, in spite of *expectations of stronger foreign* demand for oilseeds and associa*ted products next year, the sharp* rise in projected output should boost ending stocks of oilseeds and oils

Total world meal supply in *1978* is put at 80.4m. tonnes, compared with 72.13m. in 1977, and *oil supply at 54m. tonnes, com*pared with 50m. in 1977.

Reuter

COMMODITY MARKET REPORTS AND PRICES

late kerb with sentiment also encouraged by the higher than expected *opening on* Comex. The increase in warehouse stocks had been widely anticipated and had little effect on prices. *Turnover 17,550 tonnes.*

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £683, 82, 82.6, three months £704, ... [illegible]

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6630-50	+42.5	6565-85	.....
3 months	6595-615	+25	6545-65	—5

RUBBER

HIGHER opening on the London physical market. Fair interest throughout the day, closing on a quietly steady note. Lewis and Peat reported a Malaysian godown price of 217 (214.5) cents a kilo (buyer, October).

349.4-349.0, 25; July 353.0, 353.5, 353.2-353.0, 17; Oct 356.7, 357.0, 357.0-356.9, 4; Dec. 359.3, 360.0, untraded; March 361.5, 362.0, 361.5-361.5, 5. Total sales: 96 lots.

BRADFORD—Topmaking activity was limited, with buying on a hand-to-mouth basis. Compared with Thursday, merinos were generally unchanged, but crossbreds, including some fine examples, were dearer.

MEAT/VEGETABLES

SOYABEAN MEAL

SUGAR

SILVER

COFFEE

COCOA

GRAINS

JUTE

WOOL FUTURES

PRICE CHANGES

Prices per tonne unless otherwise stated.

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

ISRAEL SHIPPING MORE GRAPEFRUIT

By Our Own Correspondent

TEL AVIV, Sept. 26.

LARGE-SCALE shipments of Israeli grapefruit by sea started this week. These are in addition to the small quantities already being airfreighted to European markets.

The first 60,000 cases were due to leave to-day, destined for the Continent, while another 40,000 cases were to be sent to Britain. A further 250 000 cases are to be sent off at the end of the week. Picking and packing is being curtailed to-day and to-morrow by a public holiday.

U.S. Markets

Losses hit cocoa, coffee and copper

NEW YORK, Sept. 26.

COPPER EASED on Commission House selling, but silver and gold closed firmer on speculative and trade buying. Cocoa finished lower on Commission House and European selling, after London weakness. Coffee closed limit down on speculative and Commission House stop-loss selling due to lack of physical interest. Sugar was firm on short-covering.

STOCK EXCHANGE REPORT

Across board rises on unprecedented Gilt gains to £4⅜

Index rebounds 16.6 to 521.3—Fisons disappointment ignored

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Sep. 5	Sep. 15	Sep. 16	Sep. 27
Sep. 19	Sep. 29	Sep. 30	Oct. 11
Oct. 3	Oct. 13	Oct. 14	Oct. 25

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Unprecedented widespread gains extending to 4⅜, after 4⅝, were recorded in long-dated British Funds yesterday on continued heavy demand which dominated sentiment throughout the market as a whole. Quotations were up to £1¼ better soon after the opening on marking up in expectations of a resumption of Friday's late burst of buying which followed the absence of any dampening influence in the form of a new long tap issue. The aggressive buying was still in reflection of yield considerations, and yesterday's exceptional price rises took the yield of 25-year high-coupon stocks down to 11.26 per cent. as against the 1977 high of 15.08 per cent. ruling last January. The move ahead spilled over into short-dated Funds which put on up to £1⅝ and the Government Securities index leapt 2.04, or 2.7 per cent., to 78.63, for a single-day rise bettered on just two occasions early in 1975 when the index was recovering from its all-time low. In yesterday's inter-office business, gains in the longs were reduced to a maximum of about 3⅞ with other maturities coming back proportionately.

Leading equities also made strong headway and closed virtually at the day's best with a broad list of rises to double figures. Down 44.5 in the previous seven business days in its run back from its record high, the FT 30-share index rebounded 16.6 to 521.3. The rally here started from the opening on the reported remarks of Mr Witteveen, managing director of the IMF, about Britain's recent considerable progress, and sentiment was also helped in the early stages by the sharp rise in bank lending to industry revealed in the Bank of England's latest figures. Disappointing trading news from another market leader, Fisons, caused a slight pause in the general advance, but the strength of the Funds proved irresistible. Gains in all FT-quoted equities were in a four-to-one majority over falls and the FT-Actuaries three main indices were about 3 per cent. up with several subsections, which might benefit from increased consumer spending, showing rises to 5 per cent. Official markings amounted to 6,335 compared with 5,997 on Friday and 7,772 on the week-ago level.

Gilts buoyant again

Still pursuing its re-rating process, the market in British Funds put on one of the strongest performances ever. A continued heavy international demand forced the longer maturities up by over 4½ points until profit-taking brought a reaction late in the evening, causing the higher-coupon issues to come back nearly a point from the highest levels. The situation was similar at the shorter end of the market where quotations were finally a point up on balance, after 1¼ or so, while gains among medium-dated stocks extended to 3½ points prior to the very late reactionary tendency. Corporations shared in the buoyancy and Southwark 11¼ per cent., 1984-85, which made its debut last Friday at a discount, rose 2⅛ points to 12¼, in £10-paid form. Improvements elsewhere in the sector ranged to 1½ points.

Offerings released by arbitrage activities in South African Gold shares lowered the investment currency premium to 88 per cent. before small institutional demand in a thin market brought slightly firmer rates and a close of 89¼ per cent., down ⅞ on the day. Yesterday's SE conversion factor was 0.7912 (0.7839).

Banks better

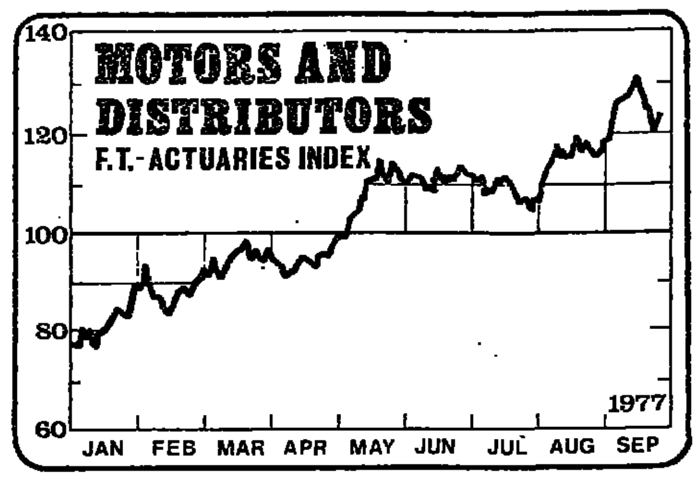
The sharp acceleration in bank lending in recent months encouraged the major clearing banks higher as buyers returned. Double-figure gains were commonplace at the close with Lloyds and Midland both 15 better at 265p and 335p respectively. NatWest added 14 at 272p and Barclays 10 to 310p. Discounts pushed forward in sympathy with the outstanding performance of gilt-edged. Union rose 20 to 475p and Gillett Bros. 15 to 253p. The current trend towards cheaper money and hopes of a beneficial Budget helped Hire Purchases improve throughout; London Scottish Finance gained 5 to 36p, after 37p, and Wagon Finance put on 4 to 96p. Provident Financial and Lloyds and Scottish were both 4 higher, at 108p and 112p respectively, after week-end Press comment.

Stock shortage accentuated gains among Insurances. Sun Alliance added 25 to 620p and Royals 16 to 432p, while Commercial Union ended 12 better at 161p. In Brokers, Willis Faber jumped 20 to 306p, after 308p, on the higher first-half earnings.

Breweries were better throughout the list and Burtonwood stood out at 107p, up 11, following Press comment. A. Guinness gained 5 to 166p, while Allied, 85½p, and Greenall Whitley, improved 2½ and 3 respectively. Distilleries also recovered and A. Bell advanced 10 to 332p. Invergordon, 88p, and Distillers, 185p, put on around 5 apiece.

In the wake of last Friday's further reduction in mortgage rates, Buildings advanced strongly on a good demand in a market short of stock. Richard Costain added 12 to 306p as did Taylor Woodrow, to 452p. John Laing A added a similar amount at 142p, following the interim results, while improvements of 10 and 6 respectively were seen in Magnet and Southerns, 195p, and International Timber 128p. AP Cement improved 5 to 280p and Rugby Portland were 3 to the good at 80p. Barratt Developments rose 5 to 112p, in front of to-day's preliminary results, while Tarmac gained 7 to 174p. Travis and Arnold edged forward to 4 to 138p after the first-half figures but, Crossley Building fell 4 to 46p in response to the disastrous first-quarter profits. Blockleys shed 4½ to 66p in front of to-day's half-yearly statement.

Stores were in buoyant mood on hopes of increased consumer spending in the autumn. In a thin market, W. H. Smith A rose 20 to 775p, while Gussies A advanced 13 to 328p, Marks and Spencer 9 to 162p and Mothercare 10 to 190p. Debenhams improved 7 to 107p and Woolworths put on 4½ to 59½p. Combined English added 3 to 88p; the interim results are expected shortly.



Fisons dip and rally

Fisons were an erratic market in Chemicals, falling sharply to 317p on acute disappointment with the first-half profits, which were well below the most pessimistic forecasts, before rebounding to close a net 2 higher at 345p, after 350p. ICI, which were 420p in front of Fisons' figures, eased to 418p, but soon pushed forward again to finish 14 higher on the day at 429p. Brent gained 5 to 197p on favourable comment, and British Benzol hardened 1½ to 27p for a similar reason.

Helped by favourable week-end Press mention, Thorn Electrical advanced 14 to 400p. Other useful gains among Electrical leaders included GEC, 10 to the good at 259p, and EMI, 9 better at 236p. Energy Services advanced 1½ to 9½p on the good half-yearly results, while demand prompted by hopes of increased consumer spending left Comet Radiovision 11 higher at 135p. AB Electronic were supported at 137p, up 7, in front of to-day's results. Decca rose 15 to 520p, and Racal closed 10 dearer at 250p, after 250p. Gains of 5 were recorded in Electronic Rentals, 106p, BICC, 122p, and MK Electric, 191p.

Engineering majors contributed to the firm market trend and Vickers, a weak market last week following the second-half profits warning, picked up 5 to 209p, while GKN rallied 9 to 318p. Tubes closed 14 to the good at 404p and Hawker ended 8 up at 198p. Elsewhere, a resurgence of speculative interest lifted Tecalemit 5 to 110½p. Press-inspired rises of between 6 and 8 were seen in Davy International, 281p, Simon, 232p, Matthew Hall, 194p, Redman Heenan, 59p and W. E. Norton, 27½p. Adwest closed 2 harder at 288p, after 290p, following the results and accompanying proposal of a £2.5m. rights issue.

Apart from Tate and Lyle, 6 cheaper at 198p, after 195p, on fears of a confrontation with the Government on the wages issue, Foods moved into higher ground. J. Lyons rose 4 to 122p, while the increased earnings lifted Lockwoods 4 to 102p. Harry Vincent responded to the preliminary figures with an improvement of 3 to 92p. In Supermarkets, William Morrison edged up 3 to 181p in front of to-day's interim figures.

Trafalgar House up

Beecham stood out in the miscellaneous Industrial leaders with a rise of 20 to 650p. Pilkington Bros., 507p, and Unilever, 566p, moved up 12 apiece, while Turner and Newall put on 9 to 243p and Boots 7 to 231p. Elsewhere, Trafalgar House advanced 9 to 143p on news of the agreed sale of the London International Hotel to Grand Metropolitan, which ended 5 dearer at 101p. Favourable week-end Press mention left Spink and Son 10 to the good at 205p and J. W. Spear 8 dearer at 218p, but Esperanza weakened 14 to 203p following the chairman's cautious statement at the annual meeting. Diploma Investments found support and put on 8 to 161p, while similar gains were recorded in Peter Black, 123p, and Coral Leisure, 224p. Still reflecting the reduced half-year loss, Newey Group firmed 4 more to 61p. Demand was seen for Northern Engineering, which gained 4½ to 96p, and European Ferries were also favoured at 90½p, up 5. Parker Knoll A improved 3 to 91p in response to the increased dividend and profits, while Francis Sumner moved up 2 to 16p following the sale of a subsidiary, Lloyds British Testing Co., for £1.7m. Leboff improved 3½ to 46½p, reflecting Press comment, and Bodycote gained 2 to 63p for a similar reason.

Motors and Distributors contributed their share of firm spots. Group Lotus, a dull market recently on the qualified accounts and financing deal with American Express, rebounded 12 to 37p following reassuring Press views about the company's future. Dunlop revived with a rise of 6 to 104p, while Lucas Industries, 315p, and Plaxtons (Scarborough), 118p, put on 9 and 8 respectively. Press comment was reflected in Turner Manufacturing, 5 better at 117p, and Dutton-Forshaw, 2 firmer at 48p.

North Sea-oil orientated stocks performed well among Newspapers, particularly Thomson, which jumped 30 to 760p; the interim figures are due early next month. Elsewhere, advertising concern Saatchi Saatchi Compton were lifted 8 to 93p in the late trade following details of the group's major capital reorganisation plans.

Oils advance

The Oil leaders encountered a good demand and closed around the day's best. British Petroleum rose 14 to 930p and the partly-paid 8 to 393p, while Shell put on 12 to 612p. Ultramar continued firmly and hardened 2 more to 266p. Oil Exploration, a good market last Friday on rumours that Premier Consolidated had disposed of its stake of near 8 per cent in the company, continued to attract speculative demand and put on 8 further to 310p.

Selective support was forthcoming for Properties with MEPC improving 4 to 112p and Land Securities 3 to 226p. Capital and Counties were a fairly lively market at 50p, up 4½, but Peachey continued to meet profit-taking and eased 2 more to 67p.

Harrisons and Crosfield improved 12 to 387p in Overseas Traders where S. and W. Berisford moved up 4 to 199p.

Press comment outlining the investment attractions of the sector brought about a lively trade in Trusts, which closed widely better following demand from both public and institutional investors. Capital issues were again prominent and M. and G. Dual rose 8 to 123p, while Dualvest, 234p, and New Throgmorton, 109p, put on 6 and 9 respectively. Triplevest rallied 11 to 166p. Elsewhere, London and Aberdeen Investment issues made progress on the announcement that it was negotiating the sale of its majority shareholding in Texas Land and Mortgage; the Deferred and Preferred Ordinary closed 5¼ better at the common price of 77½p. Colonial Securities Deferred improved 12 to 220p and Ailsa 6 to 107p.

Newspaper mention directed fresh attention to Furness Withy, up 12 at 348p after a good two-way business. Other Shippings to make headway included P. and O. Deferred, 5 higher at 157p.

Courtaulds led Textiles into higher ground with a rise of 9 to 126p. A. Martin moved up 5 to 72p on the increased first-half profits, while John Haggas advanced 8 to 418p awaiting to-day's results. Dawson International were supported at 114p, up 7.

In Plantations, Surmah Valley were raised 8 to 65p in reply to the substantially increased earnings.

Golds edge up

The lower investment currency premium restrained prices of South African Golds but they generally closed a shade higher on balance for the seventh successive day's trading following the $2.25 rise in the bullion price to $153.125 per ounce—its best closing level since March 25. The Gold Mines index hardened 0.1 to 149.1.

U.K. buying was reported in the morning trade and this was followed in the afternoon by transatlantic interest. Of the heavyweights West Driefontein were ⅜ firmer at £19¾, while Hartebeest put on ⅛ at £11⅛. On the other hand, profit-taking left Randfontein ⅜ easier at £29⅜ and Vaal Reefs ¼ off at £13⅞.

The London-registered Financials were all particularly firm reflecting the upturn in U.K. equities and the current buoyancy of Golds. In a good two-way trade Gold Fields advanced 10 to a 1977 high of 202p. Rio Tinto-Zinc improved 9 to 200p and Charter rose 7 to 141p.

In contrast, the South African Financial section suffered from modest profit-taking, with Anglo American 6 off at 396p and De Beers 2 cheaper at 308p.

Lack of interest, the lower investment premium and the further weakness of overnight domestic markets prompted continued falls in Australians.

Elsewhere, Canada's Pacific Copper Mines fell 14 to 146p for a two-day loss of 54p following further persistent Canadian selling.

FINANCIAL TIMES STOCK INDICES

	Sept. 26	Sept. 23	Sept. 22	Sept. 21	Sept. 20	A year ago
Government Secs.	78.63	76.59	76.10	76.25	[illegible]	[illegible]
Fixed Interest	77.86	76.23	75.95	75.50	[illegible]	[illegible]
Industrial Ordinary	521.3	504.7	505.5	520.0	[illegible]	[illegible]
Gold Mines	149.1	149.0	145.2	141.9	[illegible]	[illegible]
Ord. Div. Yield	5.13	5.27	5.26	5.14	[illegible]	[illegible]
Earnings Yld % (full)	15.07	15.50	15.49	15.07	[illegible]	[illegible]
P/E Ratio (net) (*)	9.47	9.20	9.26	9.48	[illegible]	[illegible]
Dealings marked	6,335	5,997	6,375	5,500	[illegible]	[illegible]
Equity turnover £m.	—	92.48	104.41	95.18	[illegible]	[illegible]
Equity bargains total	—	16,455	17,287	18,663	[illegible]	[illegible]

HIGHS AND LOWS | S.E. ACTIVITY

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977 high	1977 low
ICI	£1	25	429	+14	[illegible]	[illegible]
BP	£1	13	930	+14	[illegible]	[illegible]
Beecham	25p	12	650	+20	[illegible]	[illegible]
Shell Transport	25p	12	612	+12	[illegible]	[illegible]
GEC	25p	11	259	+10	[illegible]	[illegible]
Comm. Union	25p	10	161	+12	[illegible]	[illegible]
EMI	50p	10	236	+9	[illegible]	[illegible]
GKN	£1	10	318	+9	[illegible]	[illegible]
Racal Electronics	25p	10	250	+10	[illegible]	[illegible]
Royal Insurance	25p	10	432	+16	[illegible]	[illegible]
Cons. Gold Fields	25p	9	202	+10	[illegible]	[illegible]
Courtaulds	25p	9	126	+9	[illegible]	[illegible]
Dawson Intl.	25p	9	114	+7	[illegible]	[illegible]
European Ferries	25p	9	90½	+5	[illegible]	[illegible]
Grand Met.	50p	9	101	+5	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1977

NEW HIGHS (301)

NEW LOWS (24)

RISES AND FALLS YESTERDAY

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET

THEATRES

ENTERTAINMENT GUIDE IS CONTINUED ON PAGE 5

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

OPTIONS TRADED

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Sep. 27	Oct. 10	Dec. 29	Jan. 11
Oct. 11	Oct. 24	Jan. 12	Jan. 24
Oct. 25	Nov. 7	Jan. 26	Feb. 7

For rate indications see end of Share Information Service

Calls were dealt in Town and City, Berry Wiggins, British Land, S. and W. Berisford, ICI, Pacific Copper, Dawson International, Brooke Bond, Burmah Oil, Shell Transport, Geo. Wimpey, Ladbroke Warrants, Capital and Counties, Peachey Property, Allied Colloids, Premier Consolidated Oil, Brent Chemicals, Bejam, British Anzani, Brown Boveri, S. Osborn, UDT, Ultramar, Marks and Spencer and UDS. Puts were done in Brooke Bond and W. H. Smith A, while doubles were arranged in Burmah Oil, BP partly-paid and Capital and Counties.

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS

GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Mon., Sept. 26, 1977

FIXED INTEREST PRICE INDICES

FIXED INTEREST YIELDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

BASE LENDING RATES

....	7 %	■ Hill Samuel ....§	7 %
Banks Ltd.	7 %	C. Hoare & Co. ....†	7 %
xpress Bk.	7 %	Julian S. Hodge	8 %
....	7 %	Hongkong & Shanghai	7 %
.td.	7 %	Industrial Bk. of Scot.	8 %
acher	7½%	Keyser Ullmann	7 %
ilbao	7 %	Knowsley & Co. Ltd. ...	8½%
it & Cmce.	7 %	Lloyds Bank	7 %
rus	7 %	London & European ...	8½%
.W.	7 %	London Mercantile ...	7 %
e Ltd.	7 %	Midland Bank	7 %
Rhone S.A.	7½%	■ Samuel Montagu	7 %
nk	7 %	■ Morgan Grenfell	7 %
stie Ltd....	8½%	National Westminster...	7 %
dings Ltd.	9 %	Norwich General Trust	7½%
Mid. East	7 %	P. S. Refson & Co. ...	7 %
ley	7 %	Rossminster Accepts	7 %
nanent AFT	8 %	Royal Bk. Canada Trust	7 %
C Fin. Ltd.	9 %	Schlesinger Limited ...	7 %
....	7½%	E. S. Schwab	8½%
ngs	9 %	Security Trust Co. Ltd.	8½%
e Japhet ...	7 %	Shenley Trust	9½%
s	8 %	Standard Chartered ...	7 %
l Credits ...	8 %	Trade Dev. Bank	7 %
Bank ...*	7 %	Trustee Savings Bank	7 %
Securities...	7 %	Twentieth Century Bk.	8½%
nais	7 %	United Bank of Kuwait	7 %
vrie ....¶	7 %	Whiteaway Laidlaw ...	7½%
....	7 %	Williams & Glyn's	7 %
nscont.......*	8 %	Yorkshire Bank	7 %
n Secs. ...	7 %		
Fin. Corpn.	9 %		
ecs. Ltd. ...	9 %		
os	7 %		
ant Trust...	7 %		
Guaranty...	7 %		
Bank ....‡	7 %		
Mahon	7 %		
ank	7 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 4% and over £25,000 4½%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.

NOTES

... allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Net of tax on realised capital gains unless indicated by ø. § Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101
Index Guide as at 13th September, 1977 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	124.23
Clive Fixed Interest Income	112.85

CORAL INDEX: Close 519-524

INSURANCE BASE RATES

† Property Growth	9½%
Cannon Assurance	4½%

† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Continued

1977 High	1977 Low	Stock	£	+ or −	Div. Gross	Cvr	Yld Gr's
31⅝	21¾	Tenneco Inc.	22¾	−½	$2.00	—	5.5
151	133	Do. 10% Ln. Stk. 91-95	141	−2	10%	—	[illegible]
14½	750p	Tesoro Pt. US$0.16⅔	842½d	−10	$1.00	—	7.4
24½	19⅝	Texaco $6.25	20⅝	−¼	$2	—	6.[illegible]
31¼	23⅝	Time Inc.	24½d	+½	$1.50	—	[illegible]
13⅝	10⅛	Transamerica $1	10⅞	−¼	80c	—	4.6
34	25⅛	Utd. Tech. $US5	25½	−½	$1.30	—	4.4
41½	21	U.S. Steel $1	21[illegible]	−½	$2.20	—	6.5
19¼	938p	Vetco $0.50	19[illegible]	−¼	10c	—	0.4
22	13⅝	Woolworths $3½	13⅝d	−½	$1.40	—	0.4
49[illegible]	37	Xerox Corp. $1	37[illegible]	−½	$1.60	—	2.5
13[illegible]	563p	Xonics Inc. 10c	597p	+7	7½c	—	0.8
11[illegible]	788p	Zapata Corp. 25c	788pd	−27	[illegible]	—	[illegible]

S.E. List Premium 26⅝% (based on $US1.7441 per £)

Conversion factor 0.7912 (0.7839)

CANADIANS

S.E. List Premium 26⅜% (based on $1.8712 per £)

BANKS AND HIRE PURCHASE

For Britannia Arrow see Finance Land

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, etc.

TRUSTS—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
64	30	Coronation 25c	40	.....	Q5c	8.4	[illegible]
145	70	Falcon Rh. 50c	142xd	.....	[illegible]	1.7	[illegible]
14½	9	Rhod'n Corp. 16⅔p	14½	.....	0.57	[illegible]	[illegible]
165	80	Roan Cons. K4	85	−2			
164	129	Tanganyika 50p	150	.....	Q11.0	[illegible]	[illegible]
72	70	Do. Pref. 80p	72	.....	[illegible]	16.5	[illegible]
35	27	Wankie Col. Rh1	31	.....	[illegible]	1.5	[illegible]
27½	12½	Zam Cpr. SBD0.24	14½	−½			

AUSTRALIAN

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
20	10	Acmex 25c	12	.....	—		
127	57	[illegible]	63	.....	Q10c	1.5	[illegible]
128	88	BH South 50c	92	−1	—		
325	119	[illegible]	208	−6	Q9c	2.3	[illegible]
50	18	G.M. Kalgoorlie $1	28	−2	—		
112	77	Hampton Areas 5p	86	+1	1.45	4.1	[illegible]
35	10½	Metals Ex. 50c	11	.....	—		
242	140	M.I.M. Hldgs. 50c	144	−2	Q9c	ϕ	[illegible]
105	15	Mount Lyell 25c	15	.....	—		
2⅞	1	Newmetal 10c	1½	.....	—		
120	83	North B. Hill 50c	94	.....	Q8c	ϕ	[illegible]
8	4½	Nth. Kalgurli	7	−½	—		
133	87	Oakbridge $A1	127	−2	Q11c	ϕ	5.5
55	20	Pacific Copper	45	−3	—	—	—
£13	600	Pancont 25c	609	−25	—	—	—
16½	8	Pelsinea M&Ex 5p	14	.....	—	—	—
555	355	Peko-Wallsend 50c	395	−5	Q15c	ϕ	[illegible]
—	—	Poseidon 50c	75	.....	—	—	
12	6	Vultan Min. 50c	12	.....	—	—	—
164	99	Westn. Mining 50c	106xd	−5	Q6c	ϕ	5.5
75	40	Whim Creek 20c	45	.....	—	—	—

TINS

COPPER

MISCELLANEOUS

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1978. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	22	.....	Sheff. Refrshmt.	40	.....
Ash Spinning	40	.....	Shiloh Spinn.	20	+1
Bertam	18	.....	Sindall (Wm.)	70	.....
Edg'wtr. Est. 50p	250	+5			
Clover Croft	21	.....	**IRISH**		
Craig & Rose £1	375	.....			
Dyson (R.A.)	24	.....	Conv. 9% '80/82	£97⅞	+⅛
Ellis & McHdy	61	.....	Alliance Gas	65	−3
Evans Fr'k 10p	26	.....	Arnott	255	+5
Evered	15½	.....	Carroll (P.J.)	102	−4
Fife Forge	43	.....	Clondalkin	75	+2
Finlay Pkg. 5p	16½	.....	Concrete Prods.	100	−2
Graig Ship. £1	340	.....	Heiton (Hldgs.)	43	−2
Higsons Brew	103	.....	Ins. Corp.	127	.....
I.O.M. Stm. £1	160	.....	Irish Ropes	135	.....
Holt (Jos.) 25p	239	.....	Jacob	45	.....
Nthn. Goldsmith	34	.....	Sunbeam	20	+1
Pearce (C. H.)	103	.....	T.M.G.	100	+1
Peel Mills	14	.....	Unidare	65	.....
Sheffield Brick	47	.....			

OPTIONS
3-month Call rates

Industrials		House of Fraser	12	Tube Invest.	30
A. Brew	6½	I.C.I.	23	Unilever	40
A.P. Cement	18	"Imps"	7	Utd. Drapery	7½
B.S.R.	12	I.C.L.	20	Vickers	15
Babcock	10	Inveresk	7	Woolworths	6
Barclays Bank	25	Ladbroke	11		
Berry Wiggins	5	Legal & Gen.	12	**Property**	
Beecham	38	Lex Service	6	Brit. Land	5
Boots Drug	15	Lloyds Bank	22	Cap. Counties	3½
Bowaters	16	"Lofs"	5	E.P.	5
B.A.T.	21	London Brick	5	Intreuropean	5
British Oxygen	6	Lonrho	8	Land Secs.	18
Brown (J.)	20	Lucas Inds.	25	MEPC	10
Burton 'A'	6	Lyons (J.)	9	Peachey	6
Cadburys	5	"Mams"	7	Samuel Props.	10
Courtaulds	10	Mrks. & Spncr.	10	Town & City	2
Debenhams	8	Midland Bank	25		
Distillers	13	Nat. West. Bank	22	**Oils**	
Dunlop	8½	Do. Warrants	8	Brit. Petroleum	60
Eagle Star	11	P & O Dfd.	13	Burmah Oil	8
E.M.I.	18	Plessey	7	Shell	28
Gen. Accident	17	R.H.M.	5	Ultramar	15
Gen. Electric	16	Rank Org. 'A'	18		
Glaxo	40	Reed Intl.	18	**Mines**	
Grand Met.	7	Reyrolle	20	Charter Cons.	12
G.U.S. 'A'	18	Spillers	4	Charterhall Fin.	3½
Guardian	18	Tesco	4	Cons. Gold	12
G.K.N.	25	Thorn 'A'	22	Rio T. Zinc	16
Hawker Sidd.	50	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Tuesday September 27 1977

U.S. trade gap widens

BY DAVID BELL WASHINGTON, Sept. 26.

THE U.S. trade deficit last month at $2.67bn. was the second highest on record, the Commerce Department reported to-day. This news should give added point to remarks by Mr. Michael Blumenthal, the U.S. Treasury Secretary, that the U.S. cannot be expected to stimulate its economy any further for the moment.

Mr. Blumenthal told the International Monetary Fund interim committee on Saturday that the large trade deficit was the direct result of American willingness to expand earlier this year. *Yet further stimulus* he warned, might push the deficit to unacceptable heights and put renewed pressure on the dollar.

Although to-day's figures are in line with predictions, they will not make pleasant reading for the Administration.

Despite a $264m. drop in oil imports, the U.S. still imported $3.33bn. worth of oil last month to bring the total U.S. trade deficit for the first eight months of the year to $17.58bn. compared with $2.29bn. in the comparable period of 1976.

Last month's deficit was the result of a 5 per cent. drop in exports accompanied by only a 2 per cent. fall in imports and continuing heavy demand for energy.

American officials have been arguing that other countries—notably Japan and Germany—could have acted sooner and more effectively to provide a more broadly-based stimulus.

They have pointed out that trade figures like these make it all the harder for the Administration to resist protectionist pressure in Congress.

While other members of the IMF committee largely accepted Mr. Blumenthal's arguments about further stimulus, its implications are likely to be fiercely resisted inside the U.S.

The Administration is already coming under increasing pressure to give the economy greater stimulus in the face of a summer lull which some economists fear, may extend to the end of the year.

The latest call for a new boost came in a week-end report by the Democratic staff on the House joint economic committee of Congress. This asserts that there is now an "increased danger of a new interruption in the economy," and says new stimulus is "very likely" to be needed soon. It attacks the Administration for embracing unrealistic long-term goals both for the budget deficit and unemployment.

So far, Mr. Blumenthal and Mr. Charles Schultze, the chairman of the Council of Economic Advisers, *have rejected* these pessimistic analyses. Mr. Blumenthal, almost the only optimistic member of the interim committee, said that the U.S. economy was already pulling out of its lull and that healthy expansion would continue into next year.

This cautious optimism was largely echoed by a group of businessmen, which included the chairmen of some of the country's largest companies.

After meeting Mr. Carter on Friday they told reporters that the growth rate was not what it had been earlier in the year but that the situation was basically healthy. New programmes for reflation would run the risk of fuelling renewed inflation.

Skytrain takes off with seats empty

By Michael Donne

MR. FREDDIE LAKER, chairman of Laker Airways, achieved his six-year ambition yesterday to see his Skytrain low-fare no-frills service start regular flights between London and New York.

Despite a fanfare of advance publicity, the first flight was by no means full. It took off from Gatwick at 5.30 p.m. with only 272 of the 345 seats filled.

But in New York, where publicity has been much more muted, demand has been heavy. By last night it seemed certain that all the seats would be sold.

The shortfall in Skytrain's Gatwick sales has meant that those who had spent most of the week-end queueing to get a seat on the first Skytrain wasted their time. It was possible to arrive at Gatwick comfortably in the morning, as I did, and still obtain a seat.

British Airways was quick to capitalise on Skytrain's empty seats. It pointed out that 150 passengers had flown BA standby to New York at the week-end, taking the total in the first week of the new service to more than 400.

"Standby passengers were boarding British Airways scheduled services on Saturday and Sunday when the queue was forming at Gatwick—and they were in New York while the Gatwick queue was on forming," the airline stated.

British Airways claims to be selling 65 a day of its new low-rate standby seat, costing £64, for the three daily flights to New York.

Not worried

The American lines Pan Am and TWA, are also offering cheap-rate seats. Pan Am sold 34 of the 36 cheap-rate seats allocated for to-day's flight, while TWA claims an average of 65 passengers daily in its cut-price seats.

Mr. Laker remains optimistic. He said he was not worried by the threat of competition from what he called "the Infamous Six" of regularly scheduled airlines operating out of Heathrow.

"They tried to slit my throat," he said, "but all they were able to do was to help me improve the terms of my licence and to open the floodgates to cheap air travel across the North Atlantic."

Mr. Laker said that although he was going out with empty seats on his first service, he would still make a profit on that flight of £2,176.

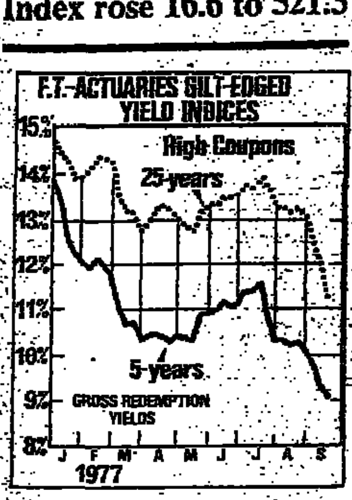
● John Wyles writes from New York: When the airline's new Skytrain office opened for business at 4 a.m. about 150 people had queued for several hours in pouring rain to make sure of a seat. By 8 a.m. only 125 seats were available, and by noon there were 75.

THE LEX COLUMN

Fertiliser squeeze for Fisons

Going back to January 1975 there are one or two precedents for rises of yesterday's magnitude in the F.T. Government Securities Index, but it was nevertheless a remarkable performance by the gilt-edged market. Gains at the official close extended to more than four full points among the longs, although these were trimmed back a little in late dealings. The Government Securities Index has now risen by almost 11 per cent. so far this month, while prices at the long end have climbed by more like 16 per cent. in the same period, and by some 22 per cent. since July 27, when the slight shift in official policy on sterling initiated the present bullish phase. Some of the enthusiasm rubbed back on to equities yesterday.

Index rose 16.6 to 521.3



Fisons

As high as 395p earlier this month, shares in Fisons fell as low as 317p after the interim results yesterday before being carried up with the market to close 2p higher at 345p. Although the group had already indicated that profits in the first five months had been disappointing in products related to agriculture, the figures were well below most expectations at £8.5m. pre-tax against £10.3m.—a drop of over a quarter in terms of profits per share. Once again, the big problem has been the fertiliser division.

Profits here were sliding down an increasingly steep slope through 1976, and have now slumped by £3.8m. to £201,000. Margins have been hammered by competitive pressures from ICI which, thanks to its controversial long term contract with British Gas, appears to be getting its ammonia produced at less than half the free market price. Half Fisons's supplies come from ICI on favourable terms, but it has to pay the going rate for the rest.

However the statement suggests that ICI is not going to squeeze the pips completely dry. Contrary to *the usual seasonal pattern*, Fisons' fertiliser profits in the second half will be usefully greater than in the first, and the reason is that unlike earlier increases the price rises announced in June have actually stuck in full. So for the year as a whole, group profits could sneak up to £22m. pre-tax or a bit more including an initial contribution from the Gallenkamp acquisition.

That compares with a market capitalisation of £113m., and a prospective yield of 5½ per cent. Fertilisers may possibly be over the worst—but these figures show the limitations of Fisons's major attempts at diversification.

Currency translation

To-morrow the Accounting Standards Committee produces a key exposure draft (ED21) on currency translation, seeking to standardise what has become a very grey area of accounting. It is coming at a topical moment when the slight appreciation of sterling appears to be having quite a dramatic impact on company results, at any rate when compared to 1977 when all manner of currency items tended to find their way into the profit and loss account.

The standard adopts the principle that the consolidated operating profits of companies should reflect the trading experience of various subsidiaries in different countries, and therefore the top line will comprise of a simple aggregation of trading profits. Differences on current assets and liabilities will be included in the profit and loss account only in the form of a special item placed below profits after tax. As for fixed assets, exchange differences will be netted against differences on loans, and the balance taken to reserves.

This amounts to a neat compromise between the wishes of companies to keep non-trading items out of the profit and loss account, and the desire of the ASC to avoid reserve accounting. But there are several debating points. It needs to be established, for instance, which loans can be offset against fixed assets. Apparently this will obscure any mismatch of a company which borrows strong currency to finance weak currency assets, and reflect the benefits of nominal interest rates in trading results, and will fail to present the currency risk as a semi-extraordinary item.

John Laing

John Laing's chairman to-day took the unusual step of complaining about the share price. The results justified his grouse to interim tax profits of £8.71m. forecast of not less than £16.5m. for the year good enough to eliminate of the problem. The rise of to 142p puts Laing shares per cent. up this year, in line with the Contracting Construction Index, with the same appreciation as Laing's though short of Wimpey's.

Laing's property, invest portfolio, which the chairman cited in his complaint valued last year at £55,000 which is just what the group now capitalised at. It is cushion against overseas actions where margins are being thin though last losses are being eliminated and an inevitable drop when volume on UK construction engineering.

This drop has is a when Laing's wide spread of, items and some jumbo contracts like Redcar and the Grain, been a long time in this recession. But this seas side, still only 24 per cent of contracting work now has to show it for up the slack in major sector or North Sea works home.

Bayer

If the merger approved Bayer to Miles Laboratories successful the American company will boost Bayer's sales by 50 per cent to $1.5bn. The mooted price of $40 a share compares with values Miles at $215m. against Miles's net assets like Reiter and the £156m.—of which, patents and trademarks are for $65m.—and the premium volved in buying the Seltzer name becomes Bayer implies that $46 more than a starting point negotiations.

Liberals backing pact amid doubts

By Richard Evans in Brighton

ALTHOUGH the Liberal Party's pact with the Government seems certain to be endorsed at the party's annual assembly here this week, there are growing signs of deep disquiet among the rank-and-file at the party's perilous electoral standing.

Mr. David Steel, the Liberal Leader, launches the case for continuing the agreement for a further Parliamentary session when he makes his first major speech to-day, but faces a party that has seen little benefit from the pact so far.

Since it was launched in March Liberals have done disastrously in most by-elections, been badly mauled in local Government elections, and their standing in the opinion polls has been low.

In preparation for his speech, Mr. Steel saw Mr. Michael Foot, the Government's Parliamentary business manager, at Westminster yesterday.

Frustration of grass-roots Liberals exploded from the 600-strong Association of Liberal Councillors. "We have had enough," they said in a statement.

Flight of voters

Although not against the pact in principle, the councillors said they were "dismayed and appalled" at the flight of voters from the party.

Their spokesman, Mr. Trevor Jones, a councillor from Dorset, commented "David Steel has got to realise that we are losing votes every minute of every day and that unless the flow is staunched we will bleed to death. Mr. Callaghan has no need of a pact with a corpse."

The councillors are extremely angry about what they see as the apparent indifference of party leaders to the fate of Liberal candidates in local elections. They are planning to use every opportunity this week to raise the question of the decline in the party fortunes. They expect to meet Mr. Steel shortly.

After Mr. Steel's speech, which will attempt to head off a potentially disastrous rebellion led by Mr. Cyril Smith, MP for Rochdale, the assembly will debate the pact tomorrow afternoon. Here the onus will fall on Mr. John Pardoe, defeated rival of Mr. Steel for the leadership and a committed supporter of the pact. Mr. Smith will speak at a fringe meeting in the evening.

Amendments

All the indications on the eve of assembly were that the pact would receive enough support to satisfy Mr. Steel, who hopes for a majority of two-thirds, and that he should head off the danger of having his hands tied too tightly by harsh negotiating conditions.

Even some opponents of the pact accept that there is little option for a majority of delegates but to support it as it has already been agreed between Mr. Steel and Mr. Callaghan. To disown the leadership at this stage would plunge the party into even greater turmoil.

Two amendments will be put to the assembly. One will have the effect of opposing continuation of the pact outright, the other laying down conditions for it.

There is growing support for Mr. Christopher Mayhew's proposal for proportional representation for direct elections to the European Parliament when the issue is decided in the Commons in a few months' time.

But significantly the final draft of the amendment is expected to refer to the need for only "a substantial majority" of Labour MPs to support the regional list system. The proposal had been to make a condition that a majority of the party, at least 100 Labour MPs should support proportional representation.

Mr. Steel was known to be opposed to this, as it would tie his hands too firmly, but he is expected to withdraw his opposition to an amendment drafted in general terms.

Howe attacks State interference in pay deals

BY RUPERT CORNWELL, LOBBY STAFF

SIR GEOFFREY HOWE, the Shadow Chancellor, yesterday condemned Government interference in pay negotiations such as those at James Mackie and Sons and Tate and Lyle's, as dishonest, unjust, and improper.

At the same time, however, he gave his party's qualified support for a November reflationary package although he stressed that this should take the form of tax cuts rather than an increase in public expenditure.

Sir Geoffrey's onslaught against the interpretation by Ministers of their own supposedly voluntary pay policy guarantees that the row over the issue will feature prominently during the party conferences which begin this week.

His main complaint, outlined in a speech to businessmen in Norwich and echoing those already made by the Labour Left as well as Tory MPs, revolves round the accusation that Ministers were "infringing the rules of just government."

Sanctions, Sir Geoffrey said, had to be properly authorised, and applied without discrimination for clearly defined offences, but these conditions were not being met.

In the first place their use was inconsistent with the claim that the present phase of pay policy was voluntary. Mr. Healey had stated that there could be no rigid uniform level of settlements, so that sanctions imposed with no precise guideline for pay increases were unjust.

Misleading

He accused the Government of unfairness in retaliating only against companies which needed assistance or which were seeking business from it. He suggested that the means of punishment "had been improperly fashioned" from Acts of Parliament which had nothing to do with sanctions of any kind.

The policy was also misleading insofar as it concealed realities. The Conservatives backed the need to keep the increase in the national wages bill down to 10 per cent. in line with the Government's own monetary targets.

"But it is also common ground," he said, "that some employees can and should get more and others less than the average. The question is how much each employer can afford without adding to the risk of bankruptcy or higher unemployment—or to the need for explicit subsidy."

His endorsement of a modest measure of reflation this autumn came in a BBC interview in which he underlined the Tory argument that any stimulus to the economy must be aimed at restoring incentives.

The tax system had to become less oppressive. The Chancellor, Sir Geoffrey claimed, "has just knocked 1p off the 5p extra tax he's imposed since he took office. There is a very long way to go and it has got to be done very carefully."

He strongly opposed any increase in public spending "because we all know this has to be controlled and held back so that the tax burden can be reduced." At best he would countenance only additional capital spending with no extra allocation for current expenditure which was often so wasteful.

Fahmy dismisses Israeli terms for Arab peace delegation

BY RICHARD JOHNS

MR. ISMAIL FAHMY, Egyptian Foreign Minister, yesterday dismissed as meaningless Israeli acceptance of a unified Arab delegation, including Palestinians, at the opening session of a Middle East peace conference.

In New York last night, he said that the proposal would be a "non-starter" if there was no participation by the Palestine Liberation Organisation, which the Israel Government has expressly ruled out.

"The Israeli decision does not touch the main issues," Mr. Fahmy asserted, adding that it had been interpreted "to give the false impression that it corresponded to American proposals for a resumption of the Geneva peace conference."

Confirming its support for the concept of a unified delegation Jordan yesterday also made qualifications which amounted to a virtual rejection of the Israeli "compromise."

In Washington, the U.S. State Department pointed out that the Israeli conditions, spelt out in a communique issued after Sunday's Cabinet meeting in Jerusalem, had not been agreed by the other parties involved including the Soviet Union, the co-chairman of the Geneva conference which met only once and briefly towards the end of 1973.

However, in a more positive development yesterday, apparently the result of quiet U.S. diplomatic pressure Israel announced its agreement to a cease-fire in the south of the Lebanon and the withdrawal of its troops from position taken up across the border where they had been aiding right-wing Christian forces in the latest bout of fighting against the Palestinians.

The deteriorating situation had threatened to jeopardise the U.S. peace initiative being pursued by Mr. Cyrus Vance, Secretary of State, in contacts with Arab and Israeli foreign ministers in New York during the new session of the U.N. General Assembly.

Last night, a meeting between Mr. Vance and Mr. Moshe Dayan, Israeli Foreign Minister, was scheduled to discuss the decision of Mr. Menahem Begin's Government. Israel's agreement to the presence of a unified delegation at Geneva represents a marginal shift in its position but evidently still falls well short of what the U.S. had been seeking.

Mr. Fahmy, who was speaking informally to reporters at the U.N., seemed to make it clear that the conditions laid down by the Israeli Government would be completely unacceptable. These are that a unified Arab delegation should only take part in an inaugural, ceremonial session of a conference, that substantive discussions should be conducted on a bilateral level with the Arab states directly involved (Egypt, Jordan and Syria), and that any Palestinian representatives, who should have no known affiliations with the PLO, should be part of a Jordanian delegation.

The Syrian official spokesman said that Israel had nothing new to offer and that its acceptance of what he described as a U.S. formula was aimed at disrupting the Geneva conference.

Syria, the Palestinian group which is effectively controlled by Syria and genes its views, went so far as to refuse to talk Mr. Yasser Arafat, chairman of the PLO, for his suggestion in an American television interview recorded last week, that the movement might agree to a revised version of UN resolution 242—with the recognition of Israel implied—if account was taken of the Palestinian right to return to their homeland and to establish an independent state.

Lebanon ceasefire Page 6
Editorial comment Page 14

EEC cut in Hong Kong textiles quota threatens major contracts

BY DAVID HOUSEGO

MAJOR CONTRACTS for British industry worth tens of millions of pounds could be at risk if the EEC decides to cut back on textile quotas for Hong Kong, it was claimed in London yesterday.

The point is referred to have been put strongly to the Government by Sir Murray MacLehose, Governor of Hong Kong, who is here to express the indignation of Hong Kong's business community at what it believes is the abandonment of the colony's interests by Britain during the formulation of the EEC position on the renewal of the multifibre agreement.

Sir Murray had talks at the Foreign Office yesterday and will see Mr. Edmund Dell, Secretary for Trade, to-day, before flying to Brussels.

What has angered Hong Kong are reports that the Council of Ministers has empowered the Commission to negotiate reductions in the quotas for Hong Kong, Taiwan and Korea in favour of other quotas for countries such as India. Britain is seen to have been a prime mover in agreeing to the adoption of this negotiating position.

In the anomalous situation caused by Hong Kong being a British colony, the Government has some responsibilities for presenting Hong Kong's case. The belief that it has failed to do so has given rise to Hong Kong's sense of annoyance and the possibility that major contracts could be placed elsewhere.

The two major orders outstanding are for a large power station for the New Territories to be placed by China Power and Light and between £500m. £600m. of contracts involved in the planned extension to the Mass Transit Railway.

Traditionally China Power and Light has bought British plant. About a quarter of the £120m. contracts for the first phase of the Mass Transit Railway went to Britain.

About half the colony's exports come from garments and textiles. The industry employs half the manufacturing labour force. The Government is in a dilemma in that it wants to help create employment in developing countries such as India through its Government's textile quota. But this can only be done at the expense of either the British textile industry or of other exporters.

Continued from Page 1

Healey

that he would have to examine whether a cut could be made during the financial year after the reductions announced in July.

Technically, it is thought to be easier to cut tax rates in mid-year than to adjust allowances, since any change in allowances would involve re-coding all tax-payers—by far the heaviest routine task for the Inland Revenue when taxes are changed.

However, the experience with the tax cuts proposed for July shows that the Government's political supporters prefer increased allowances to reduced rates, and there is also some pressure to attack the price level directly through a value-added tax reduction.

Since the Chancellor's April proposals ran into trouble in Parliament and with the trade unions, it is expected in Whitehall that Mr. Healey will give still further weight to the views of his Cabinet colleagues.

The Chancellor has been much more ready than his predecessors to share responsibility for economic decision-making with the Cabinet since the prolonged arguments over the retrenchment programme last year.

One proposal which seems certain to go through is a measure of assistance for the construction industry, through public sector investment, and possibly by announcing some forthcoming help for first-time home buyers, on lines suggested by the Prime Minister. A renewed Christmas bonus to pensioners is also a possibility.

Weather

U.K. TO-DAY

CLOUDY, with a little rain especially at first and some bright intervals developing later.

London, S.E. England, E. Anglia, Channel Isles

Cloudy with a little rain at first and bright intervals later. Max. 19C (66F).

Southern and S.W. England

Dry with sunny intervals becoming cloudy later. Max. 19C (66F).

Midlands, Wales, N.W. England, Central North England

Mostly dry with morning mist and fog clearing to give sunny spells. Max. 18C (64F).

East and N.E. England, Borders, East Scotland

Mostly dry and cloudy but sunny spells developing. Max. 14C (57F)

Lakes, Isle of Man, S.W. Scotland, N. Ireland

Dry with sunny spells after clarance of early mist and fog. Max. 16C (61F).

Highlands, N. Scotland, Orkney, Shetland

Dry with sunny spells after scattered showers. Max. 14C (57F).

Outlook: Showers or longer outbreaks of rain and sunny intervals.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amsterdam	F	19	66	Manchestr.	F	17	63
Bahrain	S	35	95	Melbourne	C	19	66
Barcelona	C	25	77	Milan	S	18	64
Beirut	F	21	70	Montreal	C	11	52
Belfast	[illegible]	16	61	Moscow	C	4	39
Belgrade	C	15	59	Munich	F	12	54
Berlin	S	13	55	Newcastle	C	18	64
Birmghm.	C	17	63	New York	C	21	70
Bristol	C	17	63	Oslo	F	12	54
Brussels	F	18	64	Paris	F	20	68
B. Aires	S	24	75	Perth	S	19	66
Cairo	S	31	88	Prague	S	13	55
Cardiff	C	17	63	Reykjavik	R	8	46
Copnhagn.	S	15	59	Rio de J'o	C	27	81
Dublin	C	18	64	Rome	S	23	73
Edinburgh	C	17	63	Singapore	C	30	86
Frankfurt	C	14	57	Stockholm	S	12	54
Geneva	F	16	61	Strasbrg.	C	18	64
Glasgow	C	16	61	Sydney	S	21	70
Helsinki	C	9	48	Tehran	S	31	88
H. Kong	C	26	79	Tel Aviv	S	28	82
Jo'burg	C	19	66	Tokyo	C	25	77
Lisbon	C	24	75	Toronto	C	15	59
London	F	19	66	Vienna	C	12	54
Luxembrg.	F	14	57	Zurich	C	13	55
Madrid	S	22	72				

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	C	22	72	I. of Man	C	15	59
Algiers	F	26	79	Istanbul	C	15	59
Biarritz	S	25	77	Jersey	F	16	61
Blackpool	C	18	64	Las Plms.	S	25	77
Bordeaux	S	23	73	Locarno	C	18	64
Boulogne	F	16	61	Majorca	F	23	73
Casablnca.	S	23	73	Malaga	F	25	77
Cape Town	C	19	66	Malta	C	23	73
Corfu	T	21	70	Nairobi	S	24	75
Dubrovnik	S	21	70	Nice	S	22	72
Faro	F	23	73	Nicosia	S	25	77
Funchal	F	25	77	Oporto	C	21	70
Gibraltar	F	22	72	Rhodes	S	23	73
Guernsey	F	15	59	Tangier	F	25	77
Innsbruck	R	14	57	Tenerife	S	21	70
Inverness	C	17	63	Valencia	C	23	73

S—Sunny. F—Fair. C—Cloudy. R—Rain. T—Thunder.

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